

Annual report

2021

Contents

Mesta's report in compliance with the Activity and reporting duty (ARP) and the company's Energy and climate accounts for 2021 can be found as separate reports on mesta.no.

About Mesta	5
Mesta in 2021	6
Key figures	7
Business areas	8
Vision and values	9
Strategic battles	10
Editorial	11
Sustainability	13
Social conditions	20
Executive team	28
Board of Directors	29
Corporate governance	30
Board of Directors' report	40
Accounts and notes	53
Auditor's report	79
Locations	81



Mesta builds, maintains and develops Norwegian infrastructure on behalf of public- and private-sector customers. We are Norway's leading company in the operation and maintenance of roads and related electrical engineering, with an important social mandate: We keep people moving.

About Mesta

Mesta is Norway's largest contracting company within the operation and maintenance of roads, and within specialist projects on roads and railways, such as tunnel rehabilitation, rockfall and landslide protection, quay and bridge maintenance, and road safety solutions. Mesta is also the largest company within electrical engineering work on roads and in tunnels, including maintenance and rehabilitation, upgrades and new systems.

In addition, Mesta owns Rail Infrastructure AS, RIAS, which was acquired and consolidated in July 2021. Through RIAS, we also carry out activities on and related to the railway.

Mesta was established on 1 January 2003, when the production activities of the Norwegian Public Roads Administration were spun off as a separate limited company and opened up to competition. Mesta is 100% owned by the Norwegian Ministry of Trade, Industry and Fisheries.

The company has both public- and private-sector customers all over Norway. The public sector makes up the majority, with the Public Roads Administration and the county administrations being the largest individual customers.

Mesta has almost 1,700 employees. The head office is at Lysaker in Bærum, but Mesta has operations, local offices and construction sites all over the country. In addition, Mesta engages many small- and medium-sized contractors with a local affiliation throughout Norway.

Mesta has an important social mandate: We keep people moving.

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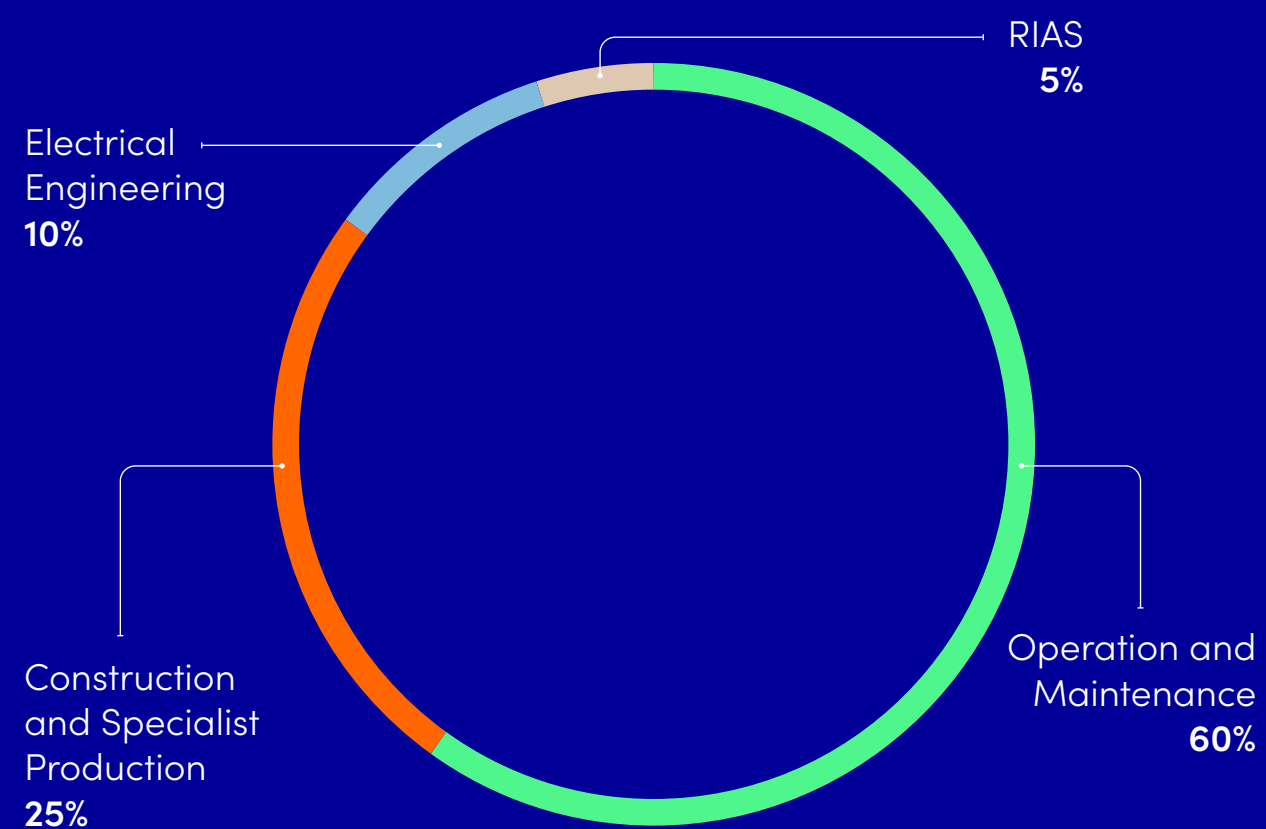


MARKET

Customer satisfaction

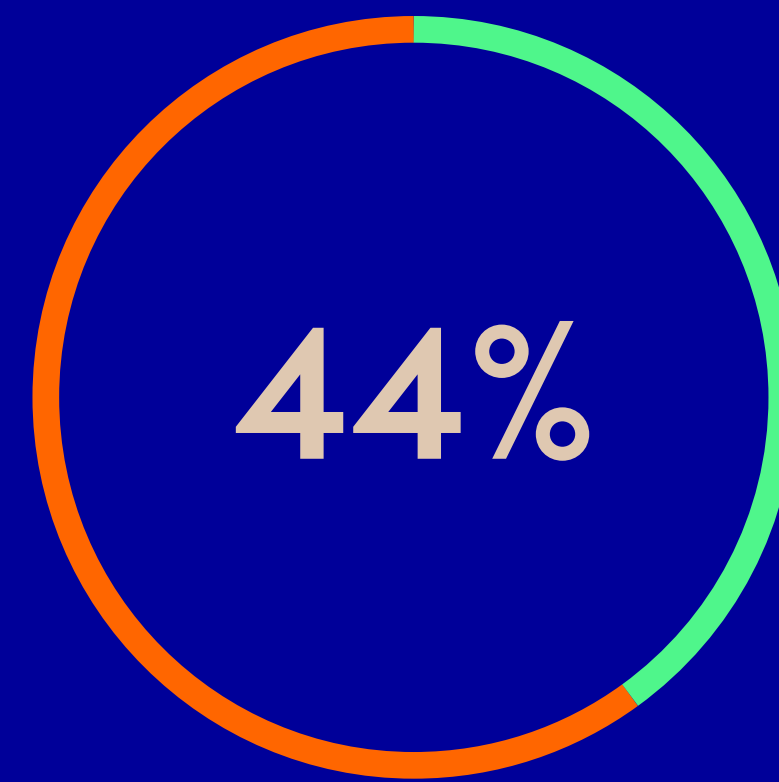


Revenue by business area



SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Female quota, Executive team



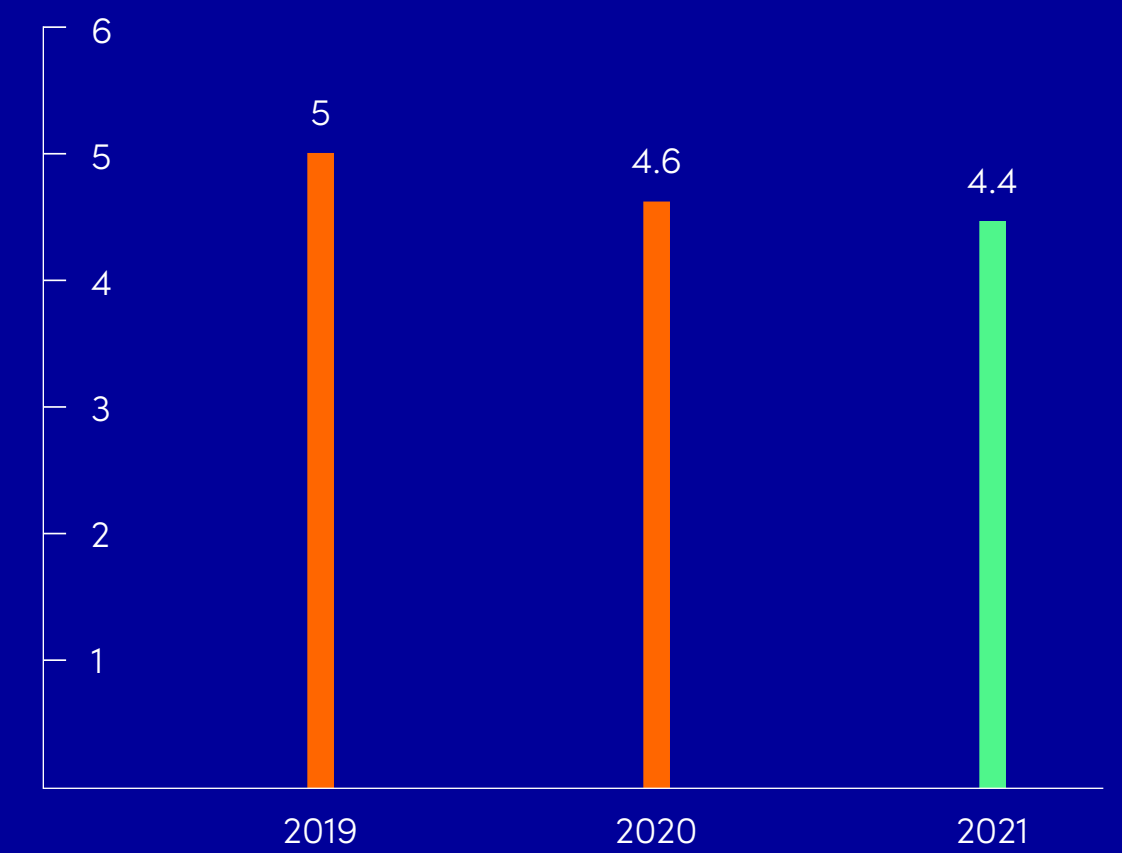
Employee satisfaction



Employees



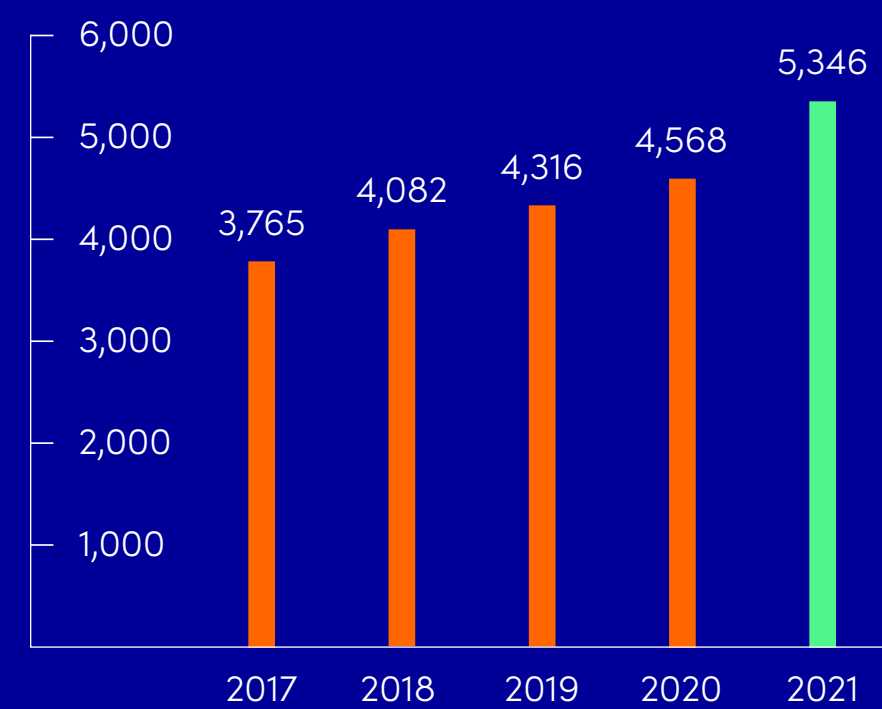
tCO₂ equivalents per NOK thousand



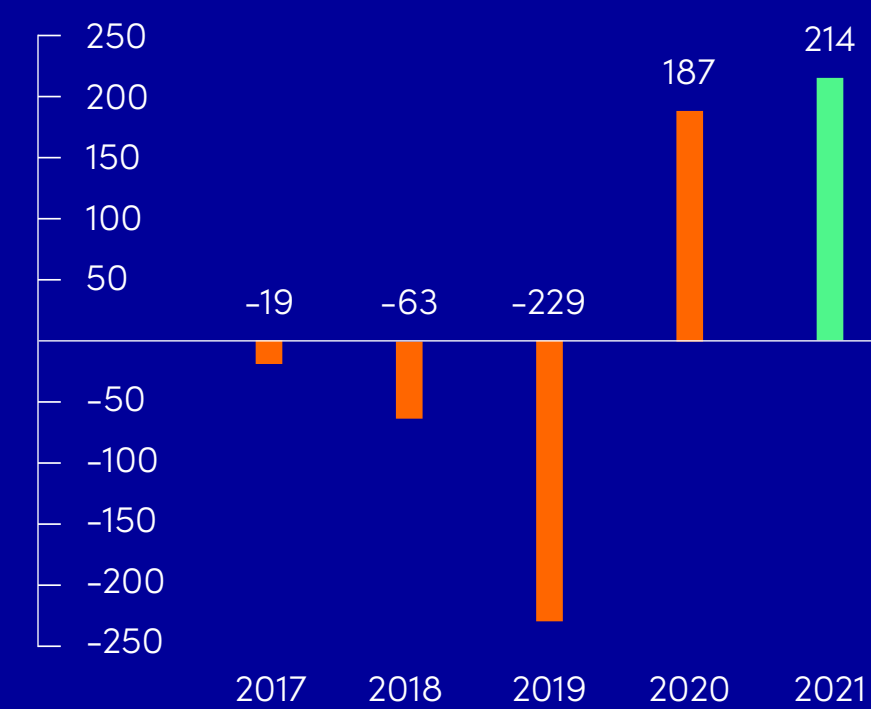
Key figures, Group

Accounting figures in NOK million	2021	2020	2019	2018	2017
Operating income	5,346	4,568	4,316	4,082	3,765
Operating profit (EBITDA)	330	290	-132	49	100
Operating profit (EBIT)	214	187	-229	-63	-19
Profit before tax	216	186	-231	-66	-21
Operating margin	4.0%	4.1%	-5.3%	-1.5%	-0.5%
Profit for the year	167	149	-182	-65	-15
Profit margin after tax	3.1%	3.3%	-4.2%	-1.6%	-0.4%
Return on total assets after tax	8.6%	8.5%	-11.1%	-3.9%	-0.8%
Equity ratio	31.5%	30.7%	25.5%	39.0%	40.3%
Number of employees	1,696	1,601	1,630	1,460	1,420
Number of full-time equivalents	1,674	1,582	1,607	1,430	1,388
Gain on the disposal of property	54	0	2	6	1

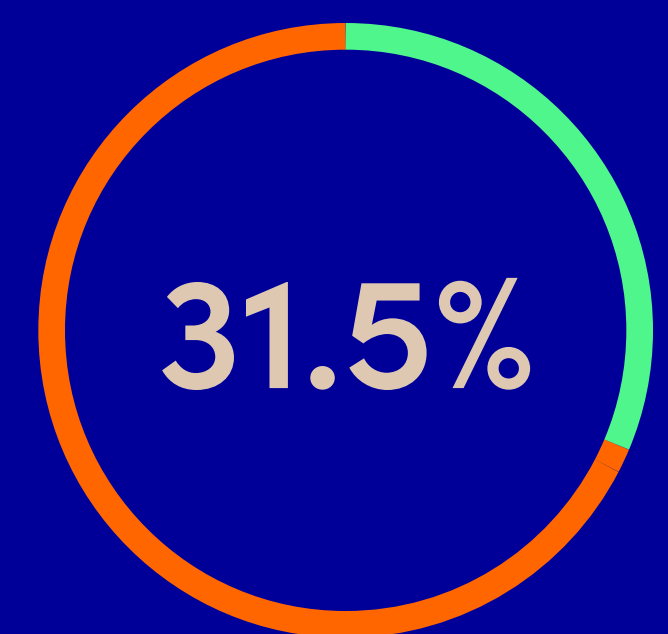
Revenue



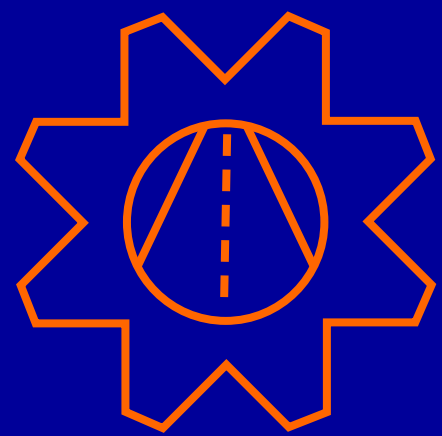
EBIT



Equity ratio

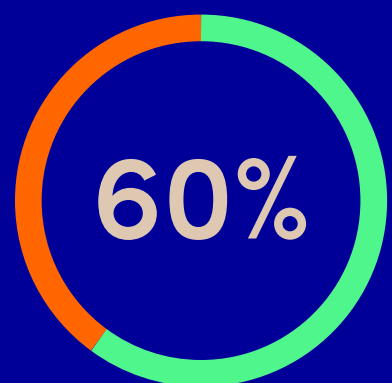


Business areas



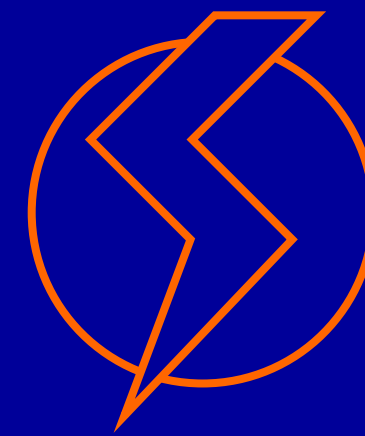
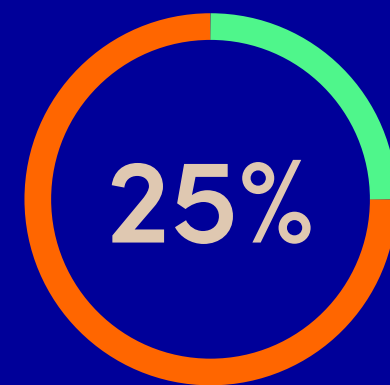
OPERATION AND MAINTENANCE

Operation and Maintenance is Mesta's largest business area, representing approx. 60 per cent of total revenue. The main activity is operation and maintenance of national and county roads, and the biggest customers are the Public Roads Administration and the county municipalities. In addition, Operation and Maintenance carries out a number of other tasks associated with e.g. airfields, the railway and wind farms.



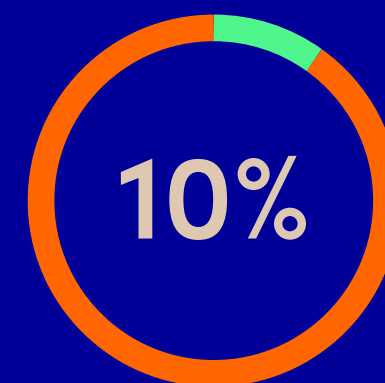
CONSTRUCTION AND SPECIALIST PRODUCTION

Construction and Specialist Production represents approx. 25 per cent of Mesta's total business. The main activity is projects and construction work involving roads, tunnels, railways etc. Examples of projects include tunnel rehabilitation; crash barrier installation; landslide protection for roads and railways; construction work on roads, bicycle paths and pavements; construction work on and in connection with railways and stations; operations and construction work at quays and ports; building and maintenance of bridges, etc.



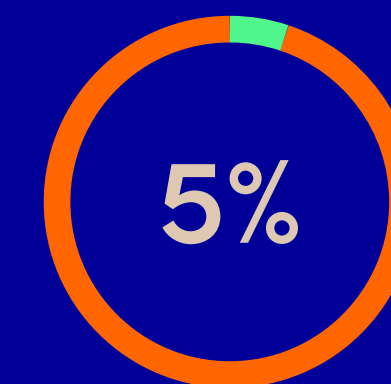
ELECTRICAL ENGINEERING

Electrical Engineering represents approx. 10 per cent of Mesta's total revenue. Mesta Elektro is a leading company within road-related electrical engineering, carrying out maintenance, new builds and rehabilitation. The project department undertakes work throughout Norway and has established itself as a strongly preferred supplier of electrical engineering services in connection with tunnel rehabilitation.



RAIL/RIAS

RIAS represents approx. 5 per cent of Mesta's total revenue. The main activity is construction projects on the railway within signalling, electrical engineering, high-voltage plant and telecoms, as well as work on the track and track substructure.

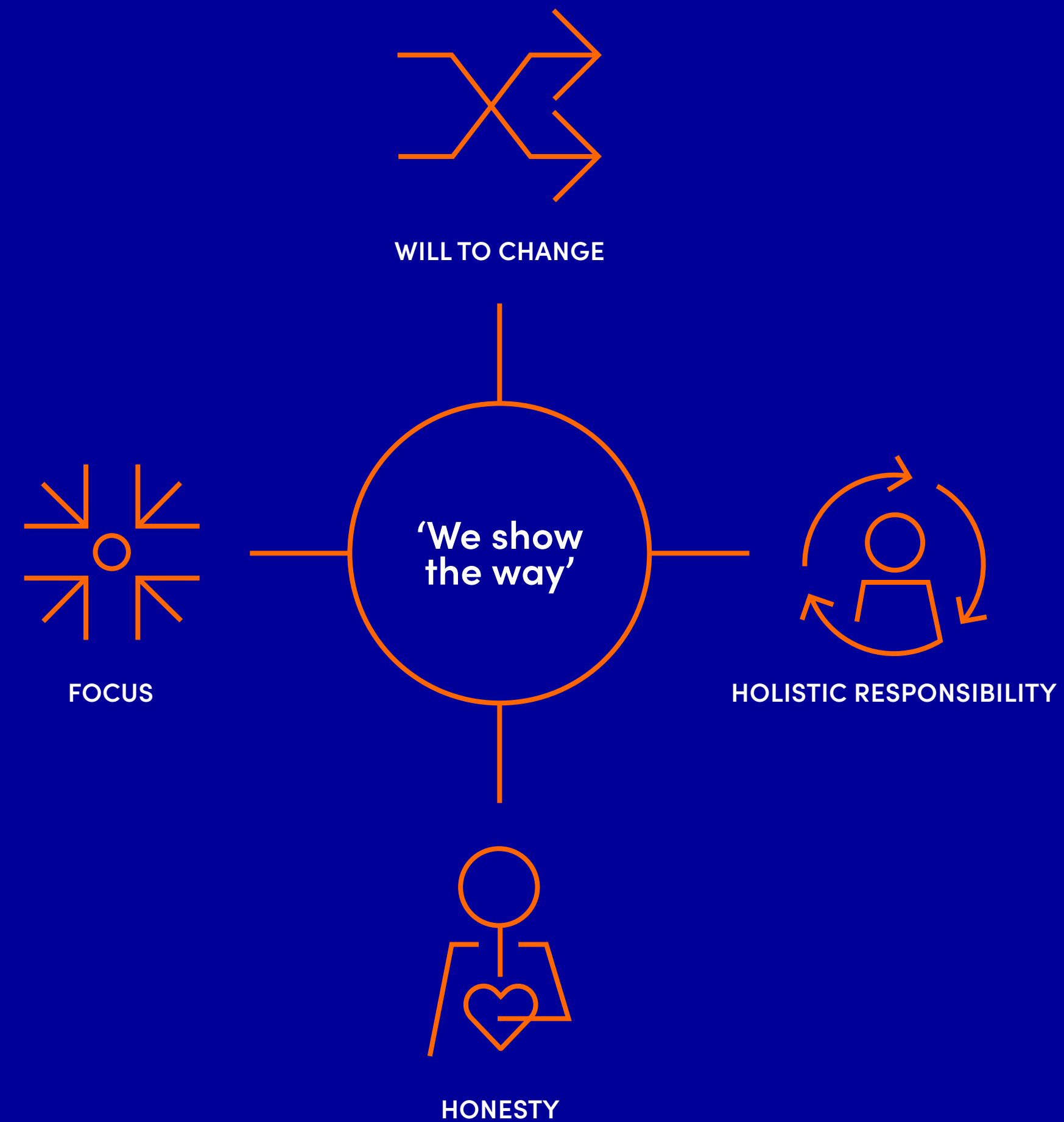


Vision and values

Our vision – ‘We show the way’ – says a lot about Mesta’s ambitions. We shall be out in front, showing the way within our areas of expertise.

Both our vision and values serve as practical tools and mental checklists in our daily work for everyone in the company, whatever their role, level or geographical location.

Our values help us to make the right choices every day.



5 strategic battles

Mesta has a business strategy for the period 2020–2023. An important part of this strategy is five priority strategic battles the company considers are crucial to win to realise its desired positions. It is these five battles that guide the company’s prioritisations over and above the organisation’s ongoing work within operation and production. These battles are common to all the business areas and guide the action plans of all the business areas and divisions.

Gains from the work on these battles shall be reaped on an ongoing basis in the form of simpler day-to-day procedures for the front line, safer control/reduced risk, and lower administrative and operating expenses – as well as newly gained competitiveness and increased attractiveness in the market.



A sustainable Mesta

Mesta's social mandate stands firm: We shall keep people moving. Yet, as a company, we're changing. We're constantly working to improve. This is part of our values, and hence part of the company's DNA. It is crucial that we deliver on our social mandate in an ever more sustainable way. For the sake of the environment, the economy and our organisation.

I'm pleased to be able to say that 2021 was a good year for Mesta, after the extensive reorganisation the company underwent through the autumn of 2019 and winter of 2020. Group revenue increased from NOK 4,568 million in 2020 to NOK 5,346 million in 2021. Operating profit for 2021 was NOK 214 million compared with NOK 187 million in 2020. This gives an operating margin of 4.0 per cent. The positive development has continued, showing that we are on the right track when it comes to strengthening our commercial mindset. This has been absolutely essential. We expect the positive development to continue in 2022.

CRITICAL TO SOCIETY

2021 was another year dominated by the coronavirus pandemic. Mesta is defined as a company critical to society. It may perhaps not be obvious to everyone why this is, but behind every open, high-standard road is a large amount of continuous maintenance work. Wherever people travel in Norway, Mesta has been



there before them, and will be there again after. Our teams will have been busy arranging, fixing, building or repairing. Our teams are there before you when roads are blocked by landslides, flooding or heavy snow. But first and foremost, we're there when you didn't even know you needed us. Our goal is always for you to be able to travel as safely as possible through our elongated country.

GENUINE ROAD EXPERTISE AND ARTIFICIAL INTELLIGENCE

Safeguarding, operating and maintaining Norway's roads, railways, quays, tunnels and bridges is a specialist field. It is also a battle against the forces of nature. In Mesta's work to connect town, fjord and mountain – linking districts, regions and parts of the country together – our long experience of predicting the havoc nature can play with infrastructure is the most important tool we have.

We work to combine our experience with cutting-edge technology. Our goal is for this unique interaction between genuine road expertise and artificial intelligence to contribute to a greener footprint, and to consistently better and safer performance.

MEANINGFUL INFRASTRUCTURE MANAGEMENT

Through our work, we manage and look after the Norwegian people's shared investment in infrastructure. Looking after what we already have in the best way possible is sustainable in itself – ensuring that the interventions already made in nature last for as long as possible and are as safe as possible. We therefore hope that maintenance will be given much higher priority in future. Norway has an enormous backlog of road and railway maintenance. There is obviously much to be gained – both financially and from a sustainability perspective – by maintaining existing infrastructure rather than building new.

A popular topic in modern-day working life is finding 'meaning' in and at the workplace, something that isn't difficult somewhere like Mesta. I consider it a great privilege to be able to lead a company with many committed employees, who do an important and meaningful job for the whole country. And this gives me confidence that, once again in 2022, we will meet our ambitious financial, organisational and environmental targets.

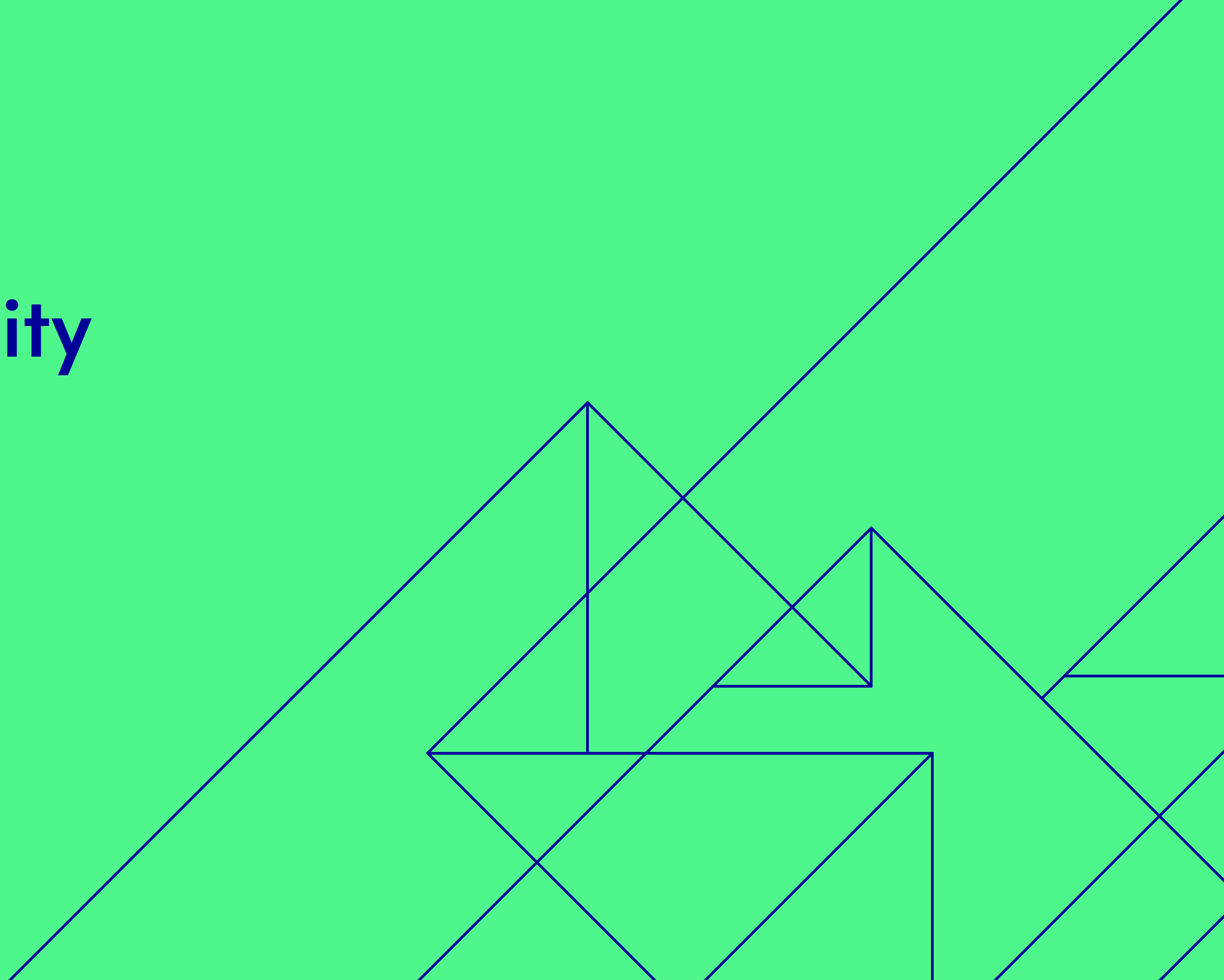


Marianne Bergmann Røren
Group CEO

Safeguarding, operating and maintaining Norway's roads, railways, quays, tunnels and bridges is a specialist field. It is also a battle against the forces of nature.



Sustainability



Sustainability

Mesta’s social mandate is to ensure that people get where they’re going, safely. The company wants to carry out this mandate as sustainably as possible. Our sustainability work is grounded in the company strategy and has buy-in from the Board of Directors and Executive team. Mesta shall integrate sustainability in everything we do.

Mesta links its sustainability work to three of the UN Sustainable Development Goals: Gender equality, Industry, innovation and infrastructure, and Climate action.



Mesta has concrete goals to increase the female quota in the company, cut emissions and use technology to work smarter. In 2021 Mesta had two company-level KPIs concerning sustainability, both of which were fulfilled (the figures do not include RIAs, as they were set before RIAs became part of Mesta).

KPI	Target for 2021	Achievement 2021
Female quota, new employees	15%	17%
Percentage of newly acquired vans that are electric	15%	20%

In a materiality assessment carried out in the spring of 2021, Mesta’s stakeholders highlighted a further two areas that the company is expected to include in its sustainability work: responsibility in the supply chain and respect for biodiversity.

Responsibility in the supply chain is the core of our work to ensure compliance with Norway’s new Transparency Act, which comes into force on 1 July 2022. A thorough analysis of the company’s supply chain is under way, together with an assessment of the risk of breaches of human rights and decent working conditions.

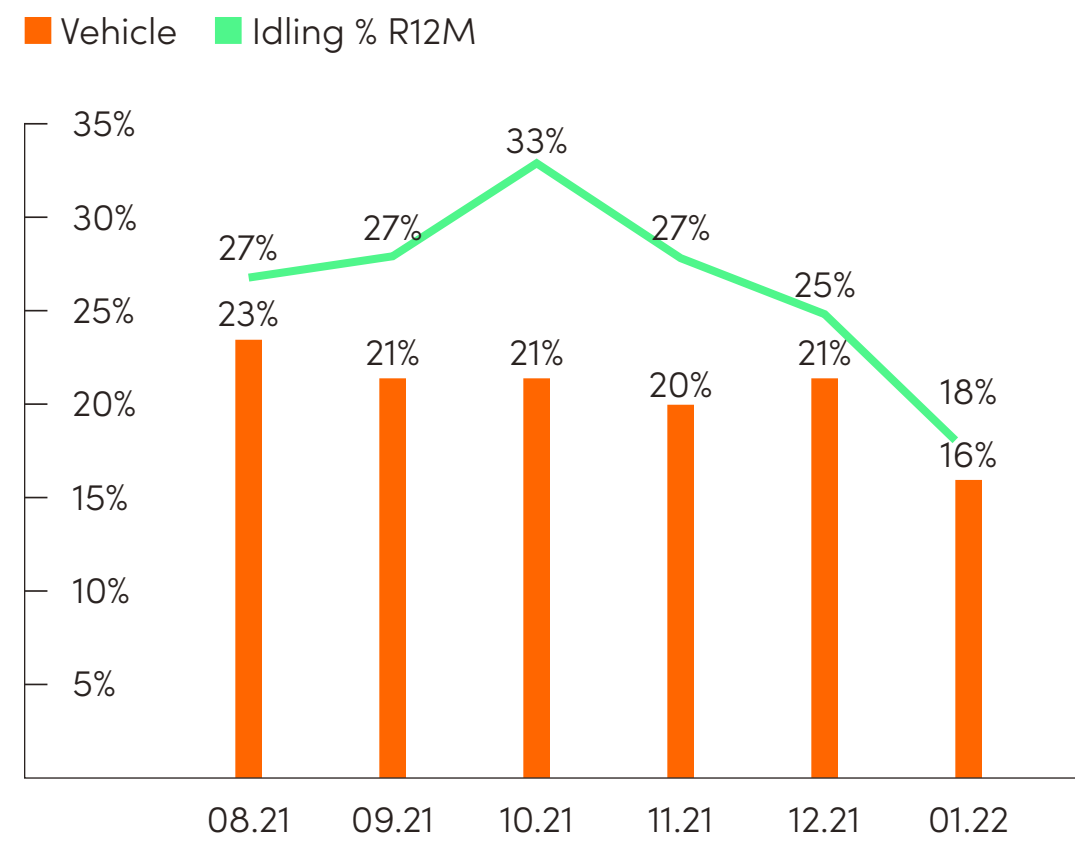
Biodiversity is a key element in some of Mesta’s contracts and, as a result, the company has acquired solid expertise in a number of areas. Going forward, we will work to map relevant problems in all contracts in order to increase knowledge of the scope of the work.

Sustainability is high on the agenda for the company’s stakeholders. Our customers have concretised their expectations by setting clear requirements for climate emissions and the circular economy in calls for tenders, and are placing greater emphasis on these factors than previously. Mesta is proactive in this development and views it highly positively. How Mesta performs its services is governed to a large extent by detailed demands from customers, requiring all participants to work together to find ever better solutions.

In autumn 2021 Mesta carried out a project to ensure the company is well prepared for the expectations and requirements linked to the EU taxonomy. Mesta will not be subject to the reporting requirement expected for the 2022 financial year, but if Norway follows the EU timeline, the company must expect to have to report according to the taxonomy in 2023. The project involved a review of all the company’s activities in order to map which activities will be both classified and sustainable under the taxonomy. The company’s

'green activities' are primarily tasks that contribute to or facilitate the transition to a low-emission society and include operational tasks at wind farms, upgrades of hydropower facilities, operation of footpaths and bicycle paths, installation of charging infrastructure along roads, work associated with electric wharfage and, not least, projects on the railway. The results of the mapping provide important input for the strategy work going forward.

Idling % per month and R12M



Taken from a pilot contract that has worked systematically to reduce idling by using the tools now available.

During 2021 Mesta took important steps within innovation and digitalisation, including in the area of sustainability. The LINX fleet management tool was implemented throughout the company, and employees can now monitor their own driver score and idling percentage on their phone or iPad. In addition, reports were developed to provide project leaders and project managers with an overview of the idling percentage in their own project and project portfolio. Mesta has a target to cut idling by 25 per cent in the period 2021–2025 and now has effective tools that make it possible to follow the trend closely.

Sustainability is increasingly important as a means of attracting labour to the company. A sustainable profile, linked not least to green choices and expectations of an authentic working life, is vital when choosing a workplace – particularly for young people.

A *Sustainability Forum* was established in the autumn of 2020. The aim is for representatives of business areas and divisions to identify opportunities and actions, share experiences, and develop their expertise on topics within sustainability. Topics such as the EU taxonomy, climate risk, gender equality and diversity, circular economy and communication were addressed in the course of monthly meetings in 2021, with input from both internal and external resources. Mesta also participates in several external industry fora so as to contribute to sustainable development of the industry.

CLIMATE AND THE ENVIRONMENT

As a major infrastructure company carrying out work throughout Norway, Mesta contributes to environmental impacts locally, nationally and also globally. With a significant fleet of vehicles and machinery, emissions from combustion of fossil fuels are the dominant component in the climate accounts, followed by waste. Mesta has ambitious targets to reduce the enterprise's environmental impact in both these areas. In 2019 the company set concrete climate targets, stipulating that by 2030 Mesta shall:

- Reduce CO₂ emissions by 50 per cent (from 2019 level).
- Reduce waste by 20 per cent (from 2019 level) and contribute to 90 per cent material recycling of waste.

In the period 2021 to 2025:

- 50 per cent of newly acquired vans shall be electric
- Idling shall be reduced by 25 per cent.

Mesta's energy and climate accounts are based on the best data available at any time. The scope and quality of the data are continually improving, both internally and for our suppliers, which means the emissions figures for 2021 are not fully comparable with those for earlier years. The same applies to the baseline for total emissions, which was set in 2019. In spring 2022, Mesta will undertake a thorough review of the scope and quality of the available data with the aim of establishing an improved baseline and targets.



Skift Næringslivets klimaledere

MEMBER AND SEAT ON THE BOARD OF SKIFT

In March 2021 Mesta became a member of Skift, a business-led climate initiative intended to be a driving force in Norway reaching its climate targets by 2030. The network comprises the most climate-ambitious companies in Norway. CEO Marianne Bergmann Røren was also elected to the board. Membership of Skift and a seat on the board give Mesta a unique opportunity to learn, but also to contribute to collaborative development in order to achieve Norway's climate targets.

The climate accounts for 2021 show total emissions of 23,271.9 tCO₂e, up 10.6 per cent from 2020. The increase can primarily be attributed to an improvement in the source data, particularly regarding

the scope and quality of fuel data, and the fact that emissions data for RIAS have been included in 2021. The emissions linked to RIAS represent 50 per cent of the total increase in emissions from 2020 to 2021.

Emission source	Explanation	Consumption	Unit	Energy (MWh)	Emissions tCO ₂ e	Percentage of emissions
Transport, total				94,800	20,400	87.2%
Diesel (NO)		6,656,600	litres	69,300	13,900	59.7%
Petrol		47,600	litres	500	200	0.5%
Biodiesel, HVO		15,500	litres	200	-	-
Diesel		2,327,100	litres	24,900	6,300	27.1%
Stationary combustion, total				300	100	0.3%
Light heating oil		25,100	litres	300	100	0.3%
Scope 1, total				95,000	20,500	87.5%
Electricity, total				9,300	300	1.2%
Electricity, Nordic mix		9,303,800	kWh	9,300	300	1.2%
District heating, general, total				100	-	-
Electric heating/cooling pump, Nordic		25,100	kWh	100	-	-
Scope 2, total				9,400	300	1.2%
Business travel, total				-	700	2.7%
Domestic flights, RF		2,239,500	pkm	-	600	2.4%
Continental Europe/Nordic flights		37,800	pkm	-	-	-
Km allowance (NO)		798,000	km	-	100	0.3%
Km allowance, Nordic		44,500	km	-	-	-
Waste, total				-	2,000	8.6%
Scope 3, total				-	2,700	11.3%
Total				104,000	23,500	100.0%

The key figures for the two years show that emissions per full-time equivalent increased by 6.3 per cent from 2020, while a large increase in revenue contributed to emissions per krone of revenue falling by 5.4 per cent. A more detailed specification and analysis of emissions can be found in the Energy and climate accounts on mesta.no.

DIVERSITY AND GENDER EQUALITY

'Diversity, gender equality and inclusivity are important for Mesta. We work hard to provide a working environment where everyone perceives they have the same opportunities, can use their skills and feels taken care of'
– CEO Marianne Bergmann Røren.

Diversity and gender equality have high priority in the company's corporate strategy. The company set a clear target for 2021 of increasing the female quota for all new appointments in the company to 15 per cent. Increasing the female quota is important in order to reflect the recruitment base, and so that men and women have equal chances in internal promotions. Wellbeing at the workplace is another important goal, where there shall not be any differences between the genders. Results from the 2021 employee survey show no difference for women and men on parameters such as work satisfaction, loyalty, and pay and employment conditions. The results are extremely similar in all areas.



COURSE IN INCLUSIVE RECRUITMENT

In November we received the good news that we had been awarded NOK 660,000 from the Norwegian Directorate of Integration and Diversity (IMDi) to develop a course to help the company increase diversity in the organisation. The course is intended to help managers to be aware of unconscious bias and understand the value of diversity in working life. On completion of the course, managers in Mesta shall be better equipped to recruit in a more inclusive way.

MODERN RECRUITMENT ON JOBSEEKERS' TERMS

Recruitment has long proceeded in the same way, often requiring a lot of effort on the part of jobseekers. Mesta undertakes many employment processes each year. In 2021 the company worked purposefully to lower the threshold in order to attract a sufficient number of qualified applicants, and reduce the possibility of discriminating candidates. In concrete terms, this meant removing the application letter for our positions, replacing it with relevant questions. We also trialled removing CVs and made it possible to complete the entire application process by mobile. This resulted in more applicants, enabling Mesta to employ candidates on a broader decision-making basis.

For Mesta, gender equality is about equal pay for equal work and generous leave schemes so that both genders can take the parental leave they want. It is about ensuring equal career opportunities internally, and ensuring that we work to achieve an open and inclusive culture with zero tolerance for discrimination.

Despite a raft of measures, we recognise that there is still a way to go in terms of improving gender balance and diversity in the company. Efforts to increase diversity and ensure gender equality in the organisation in the years ahead shall continue unabated.

Mesta is pleased that public reporting on gender equality and non-discrimination has been stepped up. This is an important tool that enables companies to work in a structured way to ensure that discrimination and differential treatment do not occur. In 2021 Mesta's work on the Activity and reporting duty (ARP) was highlighted and recognised by Norway's Equality and Anti-Discrimination Ombud. This year we have chosen to discharge our employer's Activity and reporting duty in a separate report, which is publicly available on our website, in the same place as the Annual Report.

Efforts to increase diversity and ensure gender equality in the organisation in the years ahead shall continue unabated.

DIGITAL TRANSFORMATION

Strategic implementation and digital transformation were in focus in 2021. This involved establishing an organisation, digital competence, and a new structure, roles and working methods. All the development initiatives are linked to the five strategic battles, with clear goals for what we shall have achieved by the time an initiative is finished. Mesta is passionate about everyone being engaged in the company's strategic battles and what needs to be done to win them. This is why the work in the ongoing initiatives has been made available to all employees on the digital platform, so that those who wish to do so can follow what is being worked on and the status of the work.

All the development initiatives are linked to the five strategic battles, with clear goals for what we shall have achieved by the time an initiative is finished.

The company is striving to become more flexible in the work invested in the strategically selected and prioritised initiatives. Work has been carried out to implement flexible tools and methods, with training carried out in many parts of the organisation.



LINX

LINX – DIGITALISATION IN PRACTICE 1

LINX is an advanced type of digital fleet management platform. The platform collects data from many underlying sources – and collates the data to create maximum value for Mesta. For example, employees can now monitor their own driver score and idling percentage on their phone or iPad. In addition, reports were developed to provide project leaders and project managers with an overview of the idling percentage in their own project and project portfolio. Mesta has a target to cut idling by 25 per cent in the period 2021–2025 and now has effective tools that make it possible to follow the trend closely.

Must be data-driven

Mesta is working towards becoming data-driven, which means basing decisions on facts. To this end, the company has established a cloud-based data platform that consolidates data from many sources. This platform has now become the company's primary reporting source. It is driving the democratisation of data in Mesta, with information becoming much more available to those who may have need of it.

The data platform, named AIR (Analysis, Insight, Reporting), is the hub in our efforts to make Mesta data-driven. The work on the platform and insights has created a high level of engagement in the organisation.

As part of its digitalisation journey, the company is looking at the long processes involved in its work and trying to improve, standardise and digitalise from end to end. In addition, data is being made available via the platform, making it possible for process owners to drive continuous improvement by working together.

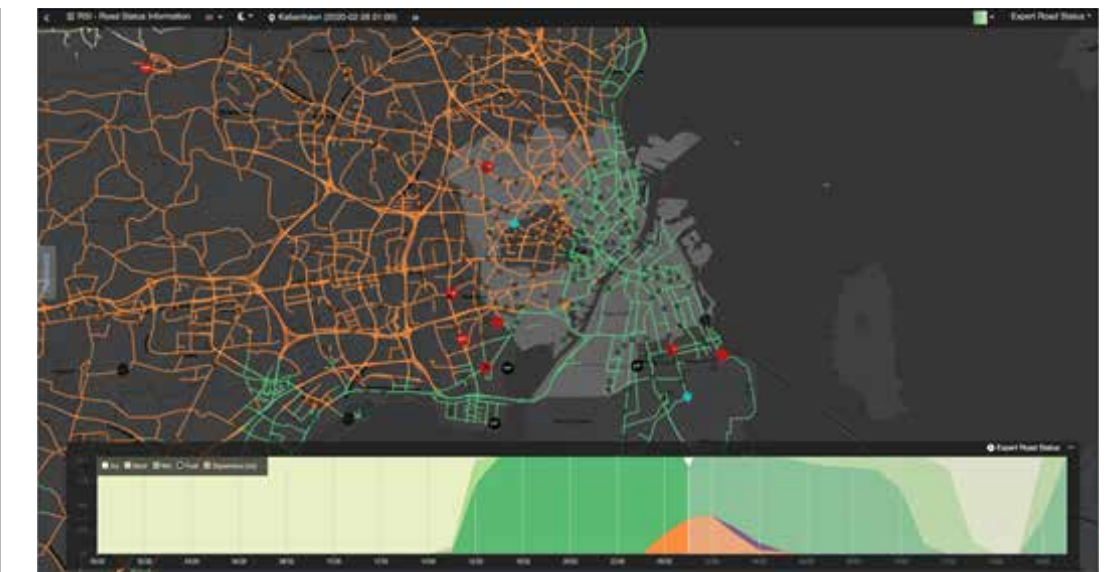
Digitalisation in practice

The company has two particular digital tools that help to make work tasks more digital for employees, as well as offering decision-making support and management tools: LINX, which was described earlier in the chapter, and RSI.

Mesta currently has seven RSI – Road Status Information – pilot projects ongoing for operating contracts around Norway. The RSI software has been developed by the Gothenburg-based company Klimator AB, with which we work closely. RSI collects data from a number of freely available and paid data sources. The data are collated and processed using artificial intelligence (AI). The results are detailed forecasts for the condition of a stretch of road and suggested necessary measures for the same stretch of road in the future. We are still at an early stage, but our long-term goal is for the tool to significantly reduce both the amount of salt used and CO₂ emissions from vehicles in winter operations.

The RSI initiative is in line with several of the company's strategic battles – Become the Industry's digital champion, Sustainability in everything we do and Outstanding at execution.

The RSI initiative is in line with several of the company's strategic battles – Become the Industry's digital champion, Sustainability in everything we do and Outstanding at execution. The long-term goal is to work towards a high level of automation, which will also help to reduce the amount of salt used and CO₂ emissions from vehicles in winter operations.

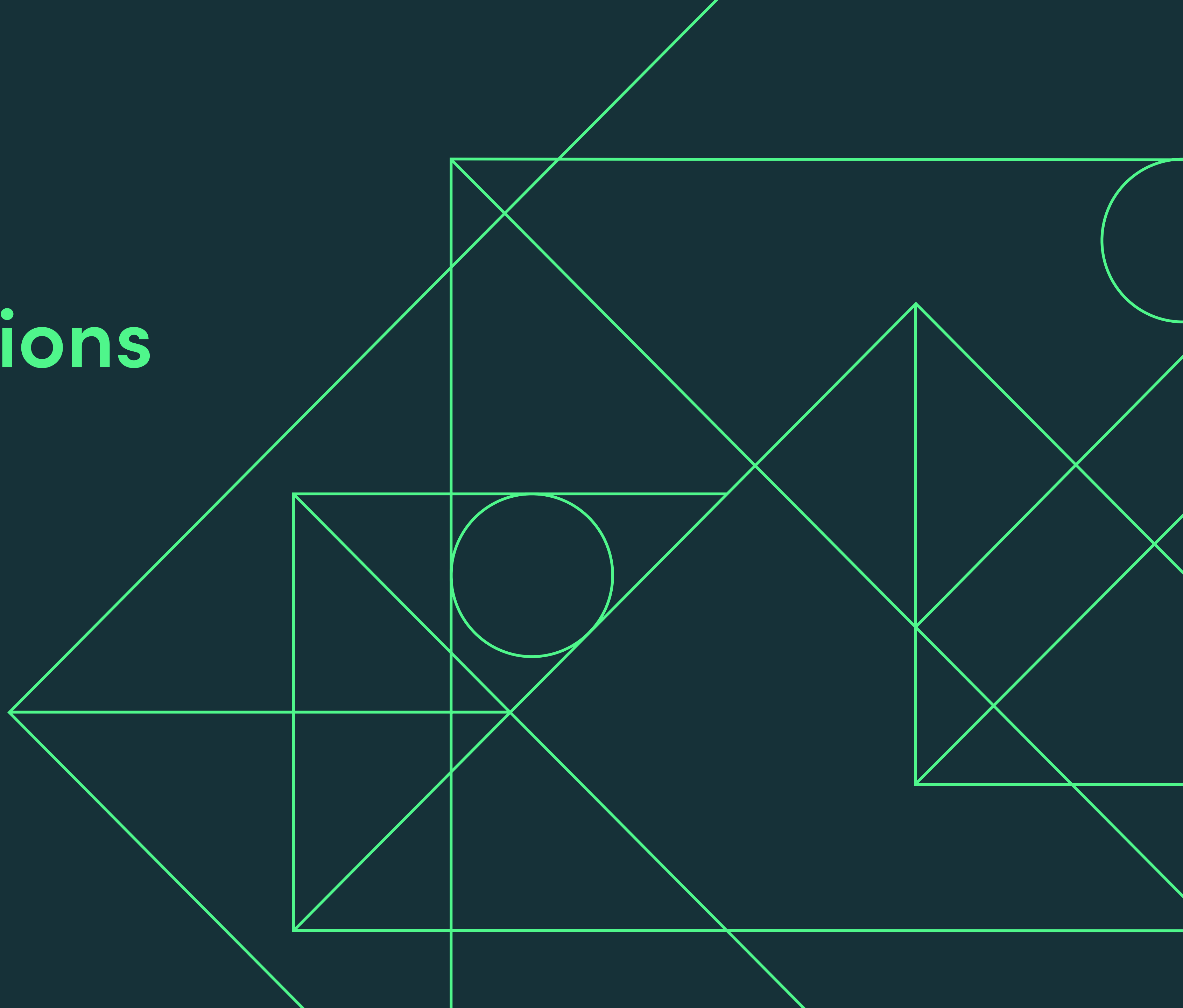


RSI – DIGITALISATION IN PRACTICE 2

Mesta currently has seven RSI – Road Status Information – pilot projects ongoing for operating contracts around Norway. The RSI software has been developed by the Gothenburg-based company Klimator AB, with which we work closely. RSI collects data from a number of freely available and paid data sources. The data are collated and processed using artificial intelligence (AI). The results are detailed forecasts for the condition of a stretch of road and suggested necessary measures for the same stretch of road in the future. We are still at an early stage, but our long-term goal is for the tool to significantly reduce both the amount of salt used and CO₂ emissions from vehicles in winter operations.

Our sustainability work is grounded in the company strategy and has buy-in from the Board of Directors and Executive team. Mesta shall think sustainability in everything we do.

Social conditions



Social conditions

All employees in Mesta shall feel valued in their workplace, and that their workplace is safe and secure with a good working environment and space for diversity. At 31 December 2021 Mesta had 1,696 employees, 80 of whom in RIAS. The number of full-time equivalents was 1,674, including 58 apprentices.

SAFETY FIRST

Mesta complies with all statutory requirements in the area and works actively to prevent injuries, material damage and pollution.

All production activity in Mesta involves elements of risk. Much of the work is carried out on or alongside roads carrying a lot of traffic, at height, in the mountains or under water. At Mesta, consideration for life, health and safety takes precedence over everything else. For us, an HSE culture is about long-term, goal-oriented work. Mesta has a zero-injury vision.

Mesta's managers are responsible for the success of the work on health, employee safety and the environment. Each manager shall be a role model and ensure that both preventive work and work to raise awareness, as well as operational follow-up, have the highest priority. The company requires both managers and employees to be engaged in the HSE work.

Mesta's HSE culture shall be characterised by:

- Everyone prioritising consideration for HSE.
- Everyone pointing out undesired conditions and eliminating the causes, and caring before dangerous situations arise.
- Everyone working continuously to improve, and taking active responsibility for finding good solutions together.

The company works actively on measures to reduce the number of lost-time injuries. All lost-time injuries are investigated by the Executive team and a report drawn up as a basis for experience transfer and learning.

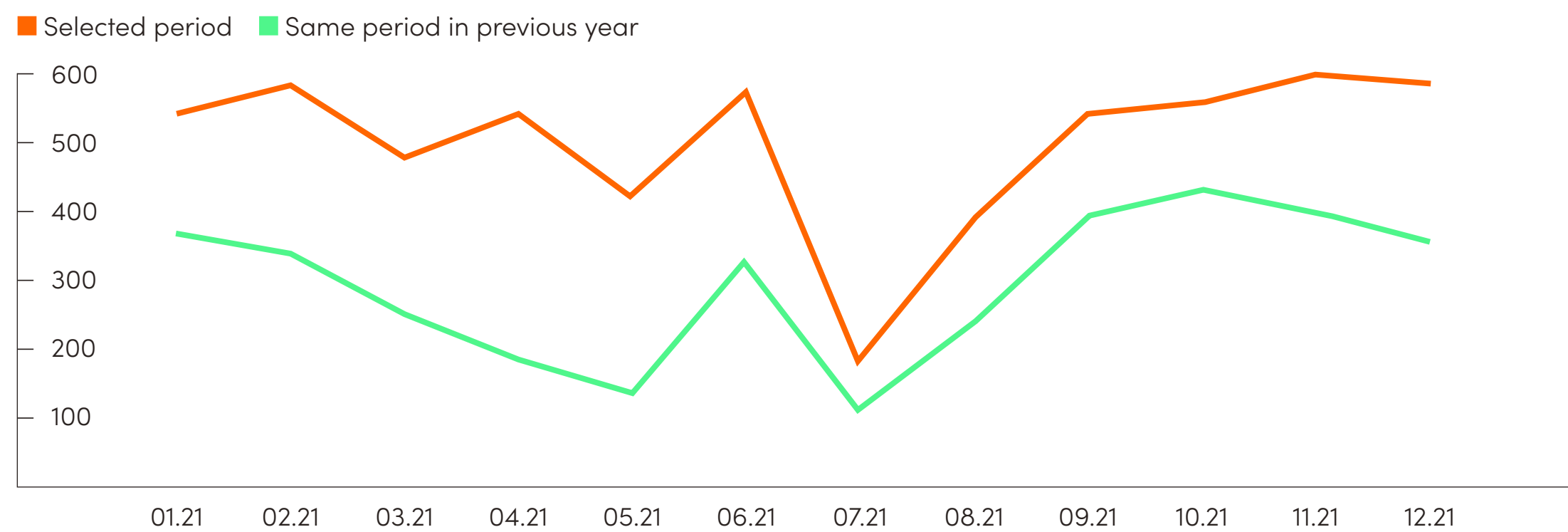
REPORTING AND INJURIES

Mesta has a zero-injury vision and works purposefully to reduce the risk of both minor and more serious injuries. Incidents resulting in medical treatment, absence (self-certified or with a sick note) or adapted work are classified as injuries.

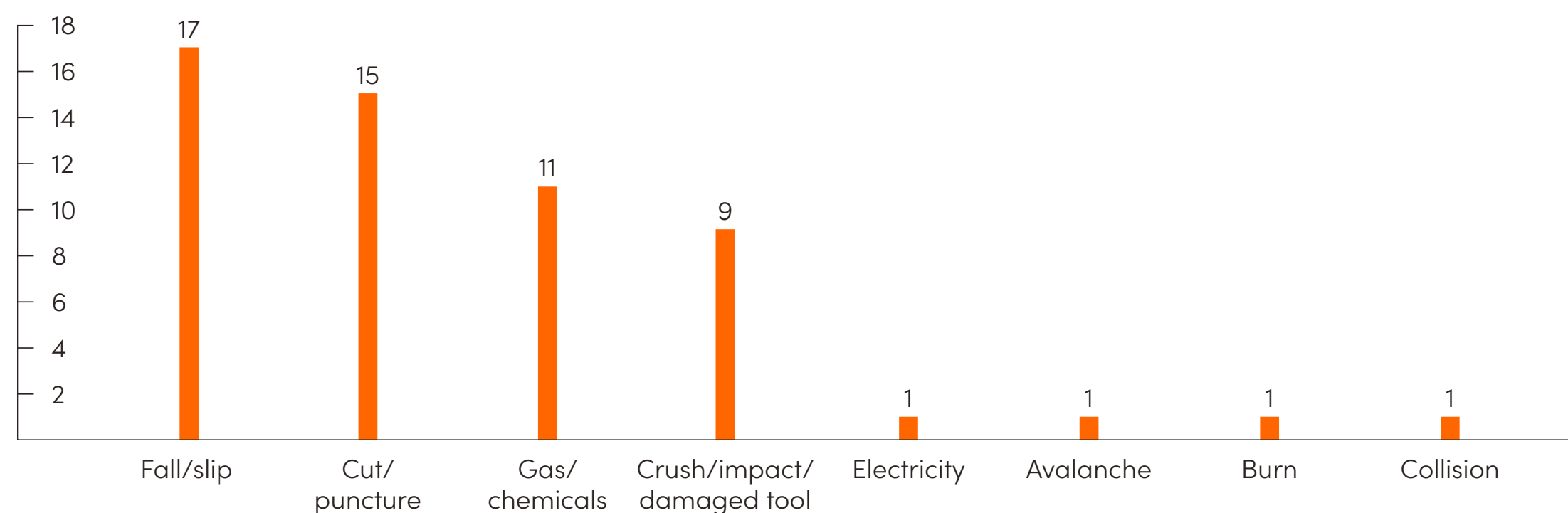
NEW ISO CERTIFICATION – WORKING ENVIRONMENT AND HSE

Late in the autumn, Mesta achieved certification in accordance with the world's first ISO standard for working environment: NS-ISO 45001. The audit was carried out by Kiwa and involved review of both the management system and projects in all business areas. The specialist auditors did not uncover any non-conformances in the course of the audit. At Mesta we have a good system for leading and managing the working environment and, through this, preventing and reducing job-related illness and injury.

Reported incidents



Incident type 2021



To be able to reduce injuries, we need to know about them. In 2021 we therefore focused on increasing the reporting of hazardous situations and undesired incidents. Reporting has been a separate KPI since May 2021. This has been followed up throughout the organisation, from the Executive team to team meetings. Training has also been provided via an app that employees can use to report incidents, and the app and training have also been made available to our subcontractors. This work has produced results. A total of 5,954 hazardous situations and undesired incidents were reported in 2021, compared with 3,849 in 2020 – an increase of more than 2,000. For 2021 we have an H1 indicator of 8.6 and an H2 of 15.98.

These provide valuable insight into when, how and why hazardous situations and injuries arise. The graphic on the left shows which types of incidents result in injuries, but does not show the severity.

Most injuries within Mesta are caused by falls and slips. These are the injuries that most often result in absence, i.e. lost-time injuries.

SERIOUS INCIDENTS

On 25 February 2021 Mesta was hit by a tragic occupational accident in which an employee was caught in an avalanche. The employee later died as a result of the injuries he suffered in the accident.

We have conducted an internal investigation and implemented several changes in our working routines to prevent similar accidents in the future. Both the police and the Norwegian Labour Inspection Authority have completed their investigations, and Mesta is not subject to any orders or penalties relating to the case.

During work in the Maursund/Kågen tunnels in October and November 2021, a total of four CO-related incidents resulted in employees receiving medical treatment. Further to these incidents, a number of measures to mitigate risk have been introduced, including extended training and changes to routines. These incidents have been reported and are being investigated by the Norwegian Labour Inspection Authority and the police.

Mesta has instructions for handling emergency preparedness and carries out regular preparedness drills, equipping us to handle emergency situations should they arise.

PREPAREDNESS AND REVIEWS

Mesta reviews incidents involving serious injuries or potential for extensive material damage. The parties involved take part in these reviews, together with the safety representative, project manager and HSE staff. Learning points from incidents are shared via learning sheets on our intranet, Workplace.

Mesta has instructions for handling emergency preparedness and carries out regular preparedness drills, equipping us to handle emergency situations should they arise. A crisis team was deployed on two occasions in 2021: in connection with the avalanche in Kistrand and the incidents in Maursund/Kågen. A preparedness drill was also carried out concerning the external environment.

MANAGEMENT SYSTEM, INTERNAL CONTROL AND RISK MANAGEMENT

Undesired incidents are registered and dealt with in Mitt Mesta, Mesta’s management system for quality, HSE and the environment. All employees throughout the business can log incidents in the system using an app on their phone. The incident is dealt with in Mitt Mesta, including evaluation of corrective measures, and closed once the measures have been implemented. All registrations are linked to the project concerned, but are also aggregated and analysed at company level using Mesta air.

HEALTH AND WORKING ENVIRONMENT

Mesta’s occupational health service (OHS) plays an active part in preventing work-related illness and absence. Mesta has an internal, nationwide scheme. The cost-benefit effect of this is maximised thanks to its flexibility and familiarity with the business. Mesta’s OHS has been approved by the Norwegian Labour Inspection Authority.

The OHS works in accordance with action plans approved by the Working environment committee (AMU), and its work in 2021 was carried out in conformance with these. The OHS’s work is based on its knowledge of and familiarity with Mesta and the working environment, and not least its positive cooperation with management and employees.

The OHS works in line with prevailing laws and regulations, and we particularly wish to highlight the following projects in 2021:

Exposure when working in tunnels

The OHS has closely monitored the incidents related to possible carbon monoxide poisoning in Maursund/Kågen, including follow-up of the employees involved, mapping of maximum allowable concentrations, participation in emergency preparedness group and dialogue with the Norwegian Labour Inspection Authority. COPD is one of the most frequently occurring occupational diseases in Mesta, which is why it is important to risk-assess the plant air. Diesel fumes have been mapped in the Borgund and Selta tunnels. These mappings are being carried out in collaboration with the National Institute of Occupational Health, and had to be paused because of the pandemic. The work was resumed in the autumn and continues into 2022.

Psychosocial

Employees are asked about their wellbeing and the working environment in connection with health check-ups. Feedback is provided to project management and other management as required. The psychosocial working environment is also a topic in HSE courses. The OHS provided emotional first aid in connection with accidents in 2021. There have been accidents on the road where Mesta was first on the scene and cleared the road afterwards. There were also road traffic accidents in which Mesta was involved.

The OHS’s work is based on its knowledge of and familiarity with Mesta and the working environment, and not least its positive cooperation with management and employees.

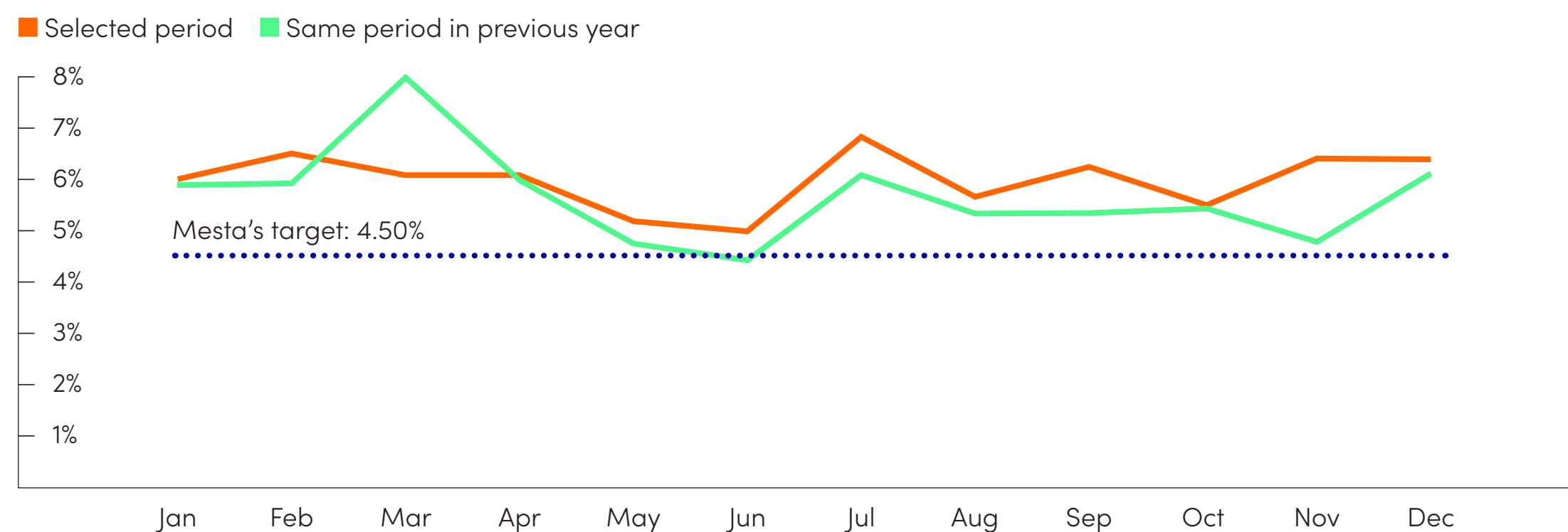
The OHS took part in the Emergency preparedness group in the wake of the tragic fatality in February at Kistrand in Nordland, and in following up affected employees in the Salten contract. Together with the management of Operation and Maintenance, the OHS was involved in organising meetings for employees in Fauske and in Bodø in the days following the accident. At these meetings, the OHS provided further information on normal reactions to such incidents and follow-up of those involved. The OHS has subsequently followed up each individual involved in the accident, for as long as required.

‘No bad vibes’

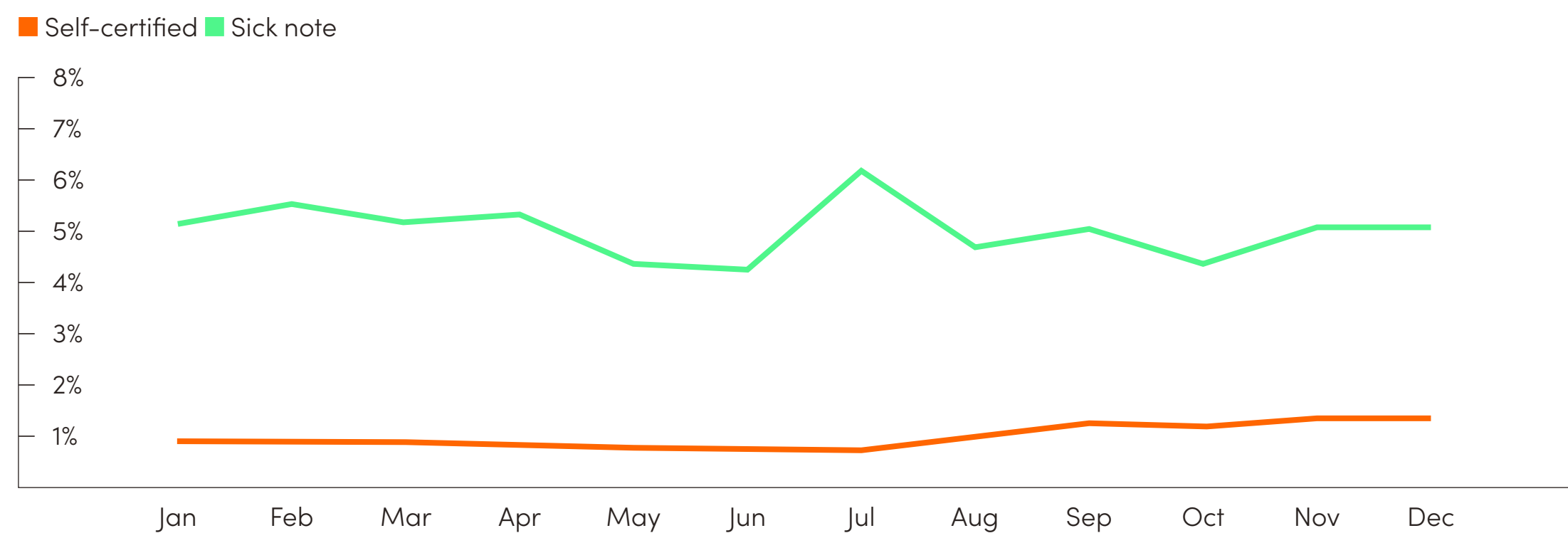
‘No bad vibes’ is a development project initiated by the OHS. It is a collaboration with the Federation of Norwegian Construction Industries (BNL) and the National Institute of Occupational Health, and has been awarded funding of NOK 3.1 million. The project aims to map and draw up solutions to reduce vibration exposure, for example when carrying out rockfall protection work. Vibration exposure is a negative working environment factor that it is important to prevent. The aim is for the project to help to reduce people leaving their jobs and sickness absence linked to vibration exposure.



Sickness absence



Sick notes



SICKNESS ABSENCE

An ongoing project to optimise sickness absence reporting and increase the quality of the source data was carried out in the second half of 2021. The new reporting tool gives all managers easy access to absence figures. The basis for calculating sickness absence figures has been adjusted to take account of factors such as employees' actual level of sickness absence and percentage of full-time equivalent.

This new reporting method shows that total sickness absence, self-certified and with a sick note, was 6.0 per cent in 2021, compared with 5.7 per cent in 2020.

Self-certified sick leave was below 1 per cent in every month of the year until September, after which there was a marginal increase, resulting in a figure for average self-certified sick leave of 1.24 per cent for the last four months of 2021.

According to the Confederation of Norwegian Enterprise's (NHO) sick leave reporting, rates of absence within building and construction are increasing. The 12-month trend in the industry from Q3 2020 to Q3 2021 shows an increase in total sickness absence from 5.2 per cent to 5.4 per cent. Over the same period, Mesta experienced an increase from 5.5 per cent to 6.2 per cent.

Work to prevent sickness absence and to get employees on sick leave back to work faster has focused on creating positive relationships between managers and employees. Concurrent with this are active measures to assess possibilities for adaptation and alternative work tasks before absence occurs.

The working environment is generally considered to be good. Further improvements are implemented on an ongoing basis as required.

The Working environment committees held quarterly meetings in 2021, with separate reports drawn up for each. A number of matters were dealt with by the committees, and solutions presented to those concerned. In light of the situation in Maursund/Kågen, Safety week 2021 was postponed until early 2022. Cooperation with the employee organisations has been constructive, contributing positively to operations. The company has an active HSE policy that is integral to day-to-day operations.

HSE measures include:

- 1) Mandatory safety training before starting a job
- 2) Annual safety week for employees and subcontractors
- 3) Monthly preventive HSE campaigns
- 4) Internal experience sharing of all serious incidents and significant potential loss incidents

ATTRACTIVENESS

Our ability to further develop the company depends on attracting new talents. Our trainee programme, which gives young talents the opportunity to gain experience within three different business areas for 18 months, is an important recruitment channel. In 2021 we received more than 300 applications for our trainee programme, and employed seven. The trainees who were recruited represented a wide range of educational backgrounds from construction, innovation and management, electrical engineering, political science, and economics and administration. Of the six trainees recruited in 2020, five have now started in permanent positions in the company and one has had their trainee period extended.

Mesta finds it hard to attract the right talents when recruiting managers, geomaticians and particularly within IT, data and analysis. Going forward, we will work to make Mesta an even more attractive employer. We will do this by creating more visibility around opportunities and exciting challenges in the company, improving our digital visibility and being present in relevant educational arenas.

WORKING ENVIRONMENT, DEVELOPMENT AND TRAINING

The 2021 employee survey was sent to all employees in Q4, and we achieved a score of 80 per cent. It is

pleasing to see a high score for work satisfaction and loyalty in the company. The results also reveal a high level of solutions-focused approach, enthusiasm and pride in working for Mesta. The scores for good reputation and collaboration between departments have improved since the previous survey.

All managers in the company have been given access to their own results and training in how to roll out the results in their own section. Action plans are being implemented in each section in Q1 2022 and will be followed up on an ongoing basis.

The results reveal a high level of solutions-focused approach, enthusiasm and pride in working for Mesta. The scores for good reputation and collaboration between departments have improved since the previous survey.

Mesta raised its game within skills development in 2021 by investing in a new training system that will ensure continuous skills development for all employees. Managers have new options for following up their staff, including monitoring that they are completing both legally required and mandatory courses. The system also offers expanded functionality whereby, in the long

term, managers will be able to follow up employees by means of individual skills mapping based on employee demand and the organisation's needs.

Mesta's project manager school was launched in the autumn of 2021, offering digital courses in management, finance and HSE each month. All courses have attracted a high level of participation, and feedback has been good.

In addition, the company has gained oversight of legally required, documented and certified skills through a project that ran from autumn 2020 until spring 2021. Mesta also offers coaching and career guidance for managers and employees. This is an effective measure that boosts the individual and contributes to retention.

WORKING CONDITIONS

Mesta has collective wage agreements covering all groups of employees and has entered into a cooperation agreement with the union officials. There is one position in the company with paid time off for official duties for the senior union official and one for the senior safety representative. A cooperation platform has been established, providing a structure for regular master agreement meetings at different levels in the company.



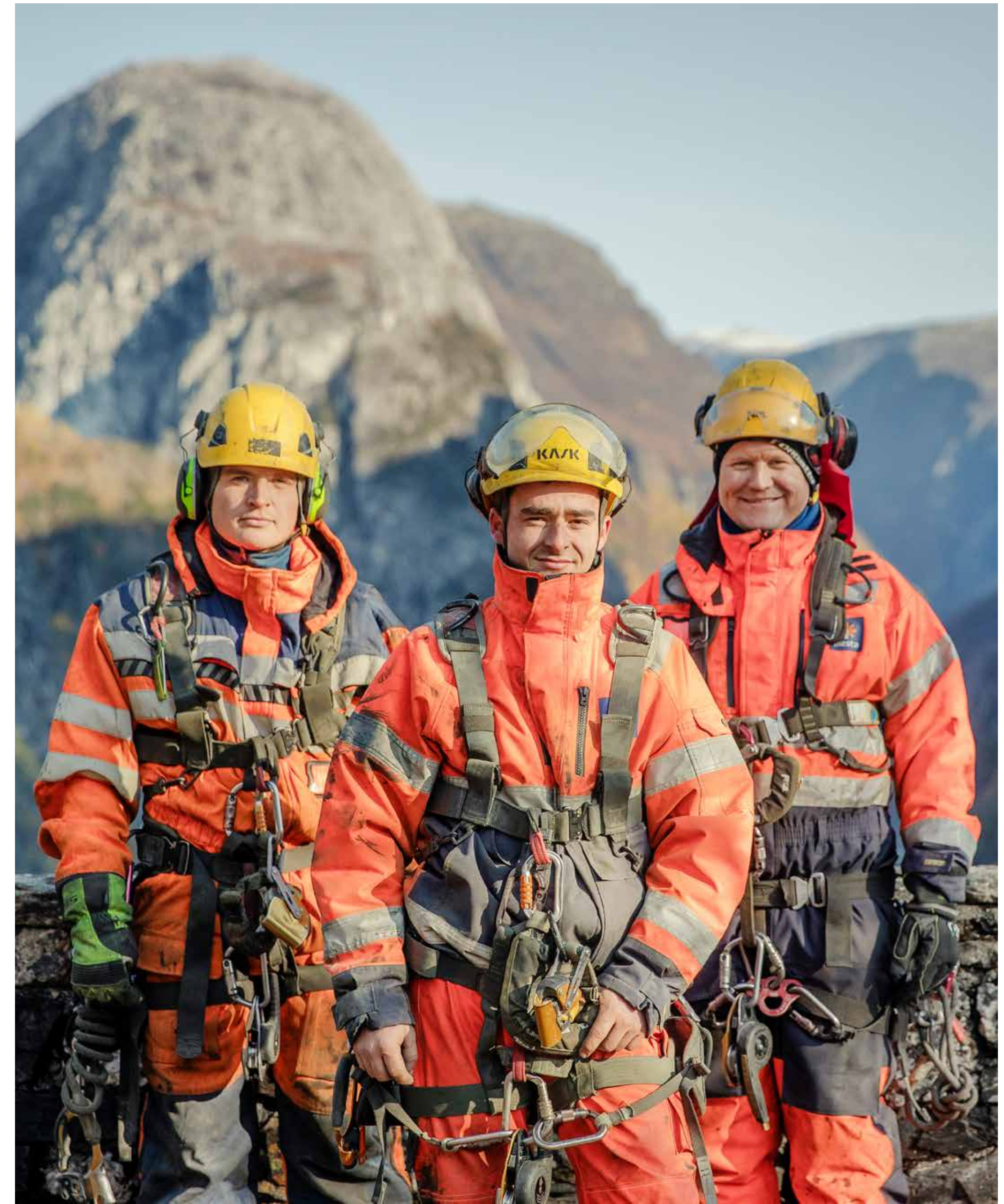
ATTRACTIVE TRAINEE PROGRAMME WITH GRAVITAS

Being on Mesta's trainee programme shall provide a unique, attractive and engaging encounter with several aspects of the company. Mesta's well-established trainee programme is divided into 3 periods with work experience in different business areas and roles at multiple locations in Norway. We attract high numbers of applications and in 2021 received positive feedback from many candidates who thought the process at Mesta was well adapted to each candidate. At present we have five trainees who started in 2020 and seven who started in 2021.

**CODE OF CONDUCT – BRIBERY AND CORRUPTION,
ECONOMIC CRIME, WHISTLEBLOWING**

Mesta has a code of conduct that sets out how to behave when interacting with customers, suppliers, colleagues and external parties. Breaches of the company's code of conduct may have consequences for the employment relationship. All employees have a duty to report censurable conditions, and the company has routines in place for employees who wish to report such conditions. As a starting point, the report shall be made internally, but an external whistleblowing scheme has also been established.

Mesta takes an active approach to corporate social responsibility (CSR) throughout the supply chain by assessing both social and environmental standards as well as other factors when selecting suppliers. This is made even more explicit by the fact that Mesta has integrated its ethical guidelines for purchasing in its standard terms and conditions for purchase of goods. Mesta attaches importance to ethical trading when sourcing goods abroad. The company complies with international laws, treaties and conventions addressing social responsibility, including the ILO Declaration on Fundamental Principles and Rights at Work and the UN Universal Declaration of Human Rights. Mesta will also conform to the Norwegian Transparency Act when it enters into force.



All employees in Mesta shall feel valued in their workplace, and that their workplace is safe and secure with a good working environment and space for diversity.

Executive team



Marianne Bergmann Røren
Group CEO



Pål Stange
CFO



Tonje G. Jensen
*Executive Vice President,
People and Communications**



Rolf Dale
*Executive Vice President,
Contracts and Production
Resources*



Kristin Folge
*Executive Vice President,
Operation and Maintenance*



Bjørn Granviken
*Executive Vice President,
Construction and Specialist
Production*



Oddmund Lefdal
*Executive Vice President,
Electrical Engineering*



Line Torgersen
*Executive Vice President,
Transformation and
Sustainability*



Bjørn Aage Innstrand
CEO, RIAS

The Board of Directors



John Nyheim
Chair



Morten Karlsen Sørby
*Board member and
Deputy Chair*



Catharina Hellerud
*Board member and head
of the Audit Committee*



Anne Marit Panengstuen
Board member



Margrethe Hauge
Board member



Geir Krokå
Employee representative



Jan Erik Haldorsen
Employee representative



Sigurd Storøy
Employee representative

Corporate governance at Mesta

Corporate governance at Mesta

The Board of Directors is responsible for good corporate governance. Mesta applies the Norwegian Code of Practice for Corporate Governance (NUES) in force at any time, within the frameworks and subject to the restrictions imposed by the company's organisational structure and ownership. The company does not have any listed securities but nevertheless complies with the requirement to report on its corporate governance principles and practice in accordance with section 3-3b of the Norwegian Accounting Act. The full Code of Practice is available at nues.no/eierstyring-og-selskapsledelse-engelsk

The Norwegian Code of Practice for Corporate Governance is divided into 15 main topics, and the Board of Directors' corporate governance report covers each of these points and describes how Mesta complies with the Code. The declaration is issued by Mesta's Board of Directors.

ITEM 1: REPORTING ON CORPORATE GOVERNANCE

Pursuant to the Norwegian State's principles for good corporate governance (cf. Report to the Storting 8 (2019–2020), The State's direct ownership in companies – Sustainable value creation), there must be transparency in the State's exercise of ownership and the activities of state-owned companies. As owner, the State manages significant assets on behalf of the Norwegian people. Among other things, transparency is important for trust in state ownership and also accommodates a democratic consideration in providing the general public with access to information. The responsibility for transparency rests with both the State as owner and the companies,

and the State as owner expects companies with State ownership to be transparent about important conditions relating to the business, such that shareholders and other stakeholders can assess the companies' business, results, development and target achievement on an ongoing basis.

Mesta's principles for corporate governance provide a sound basis for sustainable value creation and good results for the owner. They shall also contribute to credibility and trust among customers, employees, partners, other stakeholders and in society at large.

Mesta's principles for corporate governance essentially correspond with the Norwegian Code of Practice for Corporate Governance of 17 October 2018 and the 2021 updates. Deviations from the Code are discussed under each item.

→ *Deviations from the Code: None*

ITEM 2: BUSINESS

Mesta's object is set out in its articles of association as follows: 'The object of Mesta AS is to offer services and products to develop, build, maintain and operate transport infrastructure and other activities in connection with this, including activities in other areas where the company's expertise and resources can be utilised. The activities may be carried out by the company itself, by wholly owned subsidiaries, by means of stakes in other companies or by collaborating with others.'

Mesta's principles for corporate governance provide a sound basis for sustainable value creation and good results for the owner.

Mesta builds, maintains and develops Norwegian infrastructure on behalf of public- and private-sector customers. The company is Norway's leading company in the operation and maintenance of roads and related electrical engineering, with an important social mandate: We keep people moving.

The Board of Directors adopted Mesta's business strategy for the period up to 2023 in December 2020. The strategy was updated in the autumn of 2021 and presented at a board meeting in November. Report to the Storting 8 (2019–2020), The State's direct ownership in companies – Sustainable value creation, served as a premise in the work. Mesta focuses on sustainability when drawing up targets, strategies and risk profiles for the business, with the aim being for Mesta to create value sustainably.

Actions and progress within the three priority areas shall be measurable and transparent. Targets and action plans have been drawn up within each of the three SDGs.

The company works on responsible operation and development within all Mesta's specialist areas. As part of its strategy work, the company's scope of opportunity to make a positive difference was analysed with reference to the UN's 17 Sustainable Development Goals (SDGs). Three of the goals were assessed as areas where Mesta can make a particularly positive contribution: Gender equality, Industry, innovation and infrastructure, and Climate action. These areas were assessed as being the most relevant to Mesta's core business.

Actions and progress within the three priority areas shall be measurable and transparent. Targets and action plans have been drawn up within each of the three SDGs and form part of the strategic follow-up.

The business strategy clarifies the company's goals for value creation with respect to customers (to be trusted), partners (simpler working day), employees (exciting jobs), owners (stable returns) and society (safety for me). The strategy also indicates what the company must focus on internally in order to realise the targets – formulated as five 'strategic battles':

- 1) Safety first
- 2) Develop profitable growth and entrepreneurial spirit
- 3) Become the industry's digital champion
- 4) Integrate sustainability in everything we do
- 5) Be outstanding at execution

The strategy has been widely communicated to all employees, and actions plans have been implemented. In particular, the strategy highlights new targets for the company within the areas of sustainability and digitalisation.

The strategy will be updated and refreshed each year as part of the annual cycle for the Executive team and the Board.

Safety will always come first, and our environmental focus means that all work shall be carried out with a view to protecting the environment and preventing or reducing unfortunate environmental impacts. Sustainability shall be integral to everything Mesta does. The company has established concrete targets and actions, and follows them up continuously. Mesta will establish better solutions, build internal expertise, deliver sustainability through our actions and share positive stories externally.

The company has targets for the individual areas, and these have good buy-in from the Executive team. Effective routines have been introduced for reporting and following up non-conformances. Mesta follows the provisions of the Norwegian Accounting Act covering corporate social responsibility and provides information on the company's CSR efforts in the Board of Directors' report, the full annual report and on the company's website.

Mesta's code of conduct has been formulated to give our employees confidence when faced with dilemmas and challenges in their working day. Our code of conduct is an important tool when interacting with customers, suppliers, colleagues and external parties. It is available on Mesta's website.

→ *Deviations from the Code: None*



CIRCULAR ECONOMY – REUSING CONCRETE IN BODØ

During 2021 Mesta was engaged in several projects that were making a contribution to the circular economy in practice. For example, the company worked closely with Bodø Municipality and the concrete producer Norland to reuse masses for the 'New town, new airport' project. By reusing concrete masses from demolition work in local ditches dug in connection with upgrading the water and sewage mains, the project has drastically reduced the quantity of waste and achieved significant greenhouse gas savings by avoiding transporting fillers over long distances. The municipality's strict environmental requirements and good collaboration between all the parties in the project have been key to achieving good results.

ITEM 3: EQUITY AND DIVIDEND

The company maintains focus on the equity being adapted to the objective, strategy and risk profile of the business. The Board of Directors monitors the company's equity and liquidity situation on an ongoing basis.

Mesta AS is 100% owned by the Norwegian State, represented by the Ministry of Trade, Industry and Fisheries. The State as shareholder determines the dividend level in its wholly owned companies. In companies where the State owns all the shares, the owner – represented by the annual general meeting, pursuant to section 20-4 of the Norwegian Private Limited Companies Act – is not bound by the Board of Directors' proposal on distribution of dividend. The Board of Directors' recommendation is for Mesta AS to pay a dividend equivalent to 1/3 of the standardised profit after tax, unless higher investment requirements should indicate otherwise. It is further recommended that 2/3 of any gain on the disposal of property be paid as a dividend.

The Board of Directors has not been authorised to increase the share capital. There are no option programmes for employees in the company. The company has not been authorised to purchase treasury shares.

→ *Deviations from the Code: None*

ITEM 4: EQUAL TREATMENT OF SHAREHOLDERS

Mesta AS is a 100% state-owned company under the Ministry of Trade, Industry and Fisheries. The provisions of the Code of Practice governing equal treatment of shareholders are therefore not considered relevant for Mesta.

→ *Deviations from the Code: None*

ITEM 5: SHARES AND NEGOTIABILITY

The company's articles of association do not contain any provisions restricting the share's negotiability.

→ *Deviations from the Code: None*

ITEM 6: GENERAL MEETINGS

General meetings of Mesta AS comprise the State, represented by the Ministry of Trade, Industry and Fisheries. The State, as owner, exercises its ownership at the company's general meetings.

Notice calling the annual general meeting

The annual general meeting is held every year before the end of June. The notice calling the annual general meeting is sent no later than 14 days in advance. The Board of Directors convenes the annual general meeting.

Since Mesta AS is 100% owned by the Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, the provisions of the Code of Practice

concerning publication of the meeting notice and documents on the company's website are not considered relevant.

Attendance

As well as representatives of the Ministry of Trade, Industry and Fisheries, the Chair of the Board of Directors, Group CEO and CFO must attend the annual general meeting. Mesta's external auditor also attends.

The Office of the Auditor General of Norway is notified of the general meeting and is entitled to attend. The company does not require the entire Board of Directors and the Nomination Committee to attend the general meeting, but the entire Board of Directors including employee representatives is invited and has the opportunity to attend.

One of the most important tasks for the State as owner is ensuring that the company has a competent Board of Directors that has the correct expertise and is able to handle the strategic challenges facing the company at any time.

Procedure

The annual general meeting is opened by the Chair of the Board. A chairman of the meeting is elected.

Pursuant to Mesta's articles of association, the annual general meeting shall discuss the following matters:

- 1) Approval of the annual accounts and the Board of Directors' report, including dividend.
- 2) Other matters that, according to law or the articles of association, come under the remit of the annual general meeting.

Among other things, point 2 covers setting the auditor's fee, discussion of the company's statement on executive remuneration, election of board members, and setting fees for board members and members of the Audit Committee and Remuneration Committee.

The minutes of the general meeting are made available on the company's website. If the CEO or a board member disagrees with a decision taken by the general meeting, their dissent shall be noted in the minutes.

→ *Deviations from the Code: Because the company is wholly owned by the Norwegian State, this item deviates from the item in the Code of Practice requiring documents that will be submitted at the general meeting to be made available on the company's website and the item regarding election of an independent chairman of the meeting.*

ITEM 7: NOMINATION COMMITTEE

As sole owner, the State is entitled to choose the

shareholder-elected board members, and the company therefore does not have a Nomination Committee.

→ *Deviations from the Code: The company does not have a Nomination Committee.*

ITEM 8: BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

The State as owner is not represented in Mesta's governing bodies. One of the most important tasks for the State as owner is therefore ensuring that the company has a competent Board of Directors with the correct expertise, which is also able to handle the strategic challenges facing the company at any time.

Pursuant to Mesta's articles of association, the company's Board of Directors shall comprise between six and nine members. At 31 December 2021 there were eight: five shareholder-elected members and three employee representatives. The shareholder-elected members are appointed by the owner for a period of two years, and they are all independent of the company's Executive team. The owner appoints the CEO. The Board's composition shall ensure the necessary expertise, capacity and diversity. Employee representatives are chosen by elections held every second year.

The employees have three representatives on the Board. Two substitute representatives are also elected.

In accordance with demands made by the union organisations in recent years, election of employee representatives has used proportional representation voting, with employees voting for lists instead of individual candidates.

The board members elected by the employees rank equally and have the same rights and responsibilities as the shareholder-elected board members. The employee representatives represent all the employees in the company and are elected for two years.

Senior executives are not members of the Board. All the members of the Board are independent of senior executives and significant business associates. The recommendation that two board members should be independent of the main shareholder is not considered relevant.

The general meeting elects the Chair of the company's Board of Directors.

The company's annual report provides information on attendance at board meetings and the board members' expertise.

→ *Deviations from the Code: As the company is wholly owned by the Norwegian State, the item concerning independence is not relevant to composition of the Board. There are no other deviations.*

ITEM 9: THE WORK OF THE BOARD OF DIRECTORS

The work of the Board of Directors

The adopted rules of procedure for the Board of Directors provide more detailed rules concerning the Board's work and consideration of matters within the frameworks of the Norwegian Private Limited Companies Act and the company's articles of association. Among other things, the rules of procedure for the Board of Directors contain provisions regulating the work of the Board and procedural rules. The rules of procedure for the Board of Directors also set out the CEO's work tasks and duties vis-à-vis the Board of Directors.

A board member shall not participate in discussion of or decisions on an issue that is of particular importance to them or to any related party of the member who must be considered as having a strong personal or financial special interest in the matter.

The Board of Directors undertakes an annual evaluation of its work and expertise.

Audit Committee

The Audit Committee comprises two members elected by and among the board members.

The Audit Committee has a mandate to:

- 1) Inform the Board of the outcome of the statutory audit.
- 2) Prepare follow-up of the financial reporting process.



MESTA'S RECREATION OF HISTORIC BRIDGE MEETS WITH GREAT ACCLAIM

In March 2021 Grimen bridge on the Bergen Line had a dramatic encounter with a goods train with an over-tall load. This caused extensive material damage to the bridge, which is a protected and much-loved cultural monument dating from 1883. For Mesta, this meant a new reconstruction project in which we had to call on old skills. To achieve the right outcome, we used old-fashioned working methods and had to go all the way to the Netherlands to source the correct material.

- 3) Monitor the systems for internal control and risk management concerning the company's financial reporting.
- 4) Maintain ongoing contact with the company's elected auditor regarding audit of the annual accounts.
- 5) Monitor and assess the auditor's impartiality, including in particular in relation to non-audit services provided by the auditor.
- 6) Be responsible for preparing the company's election of auditor.

The members of the Audit Committee are independent of the company's Executive team and significant business associates, and hold no share options or bonds in the company.

The company's auditor does not attend all meetings of the Audit Committee but attends when invited, at least twice a year.

Remuneration Committee

The Remuneration Committee comprises two members elected by and among the board members. The Chair of the Board leads the work of the Remuneration Committee. The Committee's mandate is to be a body for the Board of Directors to set frameworks and a structure for remuneration of the Group CEO and Executive team. The Remuneration Committee also proposes the annual salary adjustment for the Group CEO.

The Committee has no independent decision-making authority, unless specifically allocated by the Board of Directors.

Related-party transactions

Mesta has transactions with companies and bodies that are related parties of the company's owner, the Norwegian State. For example, the Norwegian Public Roads Administration is an important customer for Mesta. Contracts with the Public Roads Administration are awarded after public tender processes in competition with private-sector companies and are considered to be in accordance with standard commercial terms and principles. There are no material transactions with board members, senior executives or close relatives of these persons.

→ *Deviations from the Code: None*

ITEM 10: RISK MANAGEMENT AND INTERNAL CONTROL

General

Risk management and effective control systems are integral to Mesta's business. The company's internal control routines shall make it possible to identify and manage risk, ensure effective and goal-oriented management of the business, and ensure that the Group's external and internal financial reporting is of a high standard. Improving the internal control routines is a continuous process.

The Committee's mandate is to be a body for the Board of Directors to set frameworks and a structure for remuneration of the Group CEO and Executive team.



The company has shared routines and processes that are documented in management's quality and environment system (Mitt Mesta). A Process Responsible is identified for each process and is responsible for documentation of the processes, continuous improvement work and buy-in.

Risk management in Mesta

Mesta assigns risk management a high priority and works continuously to further develop its processes to make risk management as effective, standardised and uniform as possible for all parts of the organisation.

Risk management starts as soon as a tender is submitted. All tenders over NOK 20 million shall be risk-assessed on the basis of well-embedded procedures. The risk analyses accompany the tenders to the planning and production phase to ensure that identified risk elements are dealt with.

The company also has established procedures for managing risk in the start-up phase. This takes the form of two standardised risk reviews per project as well as regular status meetings in the start-up phase.

Risk reviews are carried out for ongoing projects worth over NOK 20 million per quarter.

In 2021 the company established digitalised processes that use historical data as a basis for holistic risk

management in the tender, planning and execution phases of projects.

In December 2021 Mesta was certified in accordance with the ISO standard for HSE management (45001), giving the company a more complete framework in place for its enterprise resource planning (ERP).

Mesta is certified in accordance with ISO 9001 (Quality) and ISO 14001 (Environmental Management). These certifications show that the company's standards of quality and environmental management are high, and are found to be in line with our customers' expectations each year. The company passed a follow-up audit by an external auditor in November 2021.

In December 2021 Mesta was certified in accordance with the ISO standard for HSE management (45001), giving the company a more complete framework in place for its enterprise resource planning (ERP).

Internal control and financial reporting

Internal control is a continuous process that is carried out in all parts of the organisation. Mesta's internal control shall provide a reasonable degree of assurance of:

- Goal-oriented and cost-effective operations
- Reliable external financial reporting
- Compliance with relevant laws and regulations

The internal control related to financial reporting is based on an organisational distinction between execution, control and attestation. Mesta's authorisation matrix describes who is authorised to enter into agreements, and to authorise and pass for payment liabilities for different amounts. The authorisation matrix also describes who can commit the company in connection with submission of tenders to customers.

Mesta has adopted common uniform accounting principles for the Group. These are documented in an Accounting policy in Mesta's financial handbook and quality system.

The accounts are produced by an external state-authorized accountant. The company itself reports all financial information from the final reconciled accounts. The company's state-authorized accountant and the company itself have specialist expertise within their respective fields.

The company cooperates continuously with the external state-authorized accountant on quality control, rationalisations and development of expertise.



AVINOR OSLO AIRPORT LANDS AT MESTA

There was great rejoicing when Mesta was awarded the contract for winter operations at Oslo Airport. This is Mesta's all-time most environmentally friendly contract for winter operations. It entails all the machinery used being brand new. Lorries and loaders have Euro 6/ stage 4 certification, with biodiesel the preferred fuel. Passenger cars used to convey employees are electric. The contract is worth NOK 320 million and runs for eight years, including options. Mesta will provide a work party of 130 persons for the first year of operations.

All the business areas have business controllers who assist the project management team with project follow-up. The Executive Vice Presidents of the business areas share responsibility with the finance managers for ongoing financial and operational reporting to the Group.

A controller function has been established at Group level to control and verify the reporting from the business units. Deviations are reported directly to the Executive team.

The financial reporting from the business units is reviewed by the Executive team at a dedicated meeting each month.

Monthly consolidated accounts including profit, forecast, balance sheet and HSE are compiled for the Executive team, the Audit Committee and the Board of Directors.

A 'change forum' within quality, HSE and external environment was established in 2020 and continued its work throughout 2021. The forum is responsible for identifying changes in directives, laws, regulations, standards and customer requirements that affect Mesta and implementing these in the company's ERP system.

→ *Deviations from the Code: None*

ITEM 11: REMUNERATION OF THE BOARD OF DIRECTORS

The annual general meeting sets the fees paid to members of the board. Remuneration of board members is not profit-related. There are no share option schemes for board members or others in Mesta.

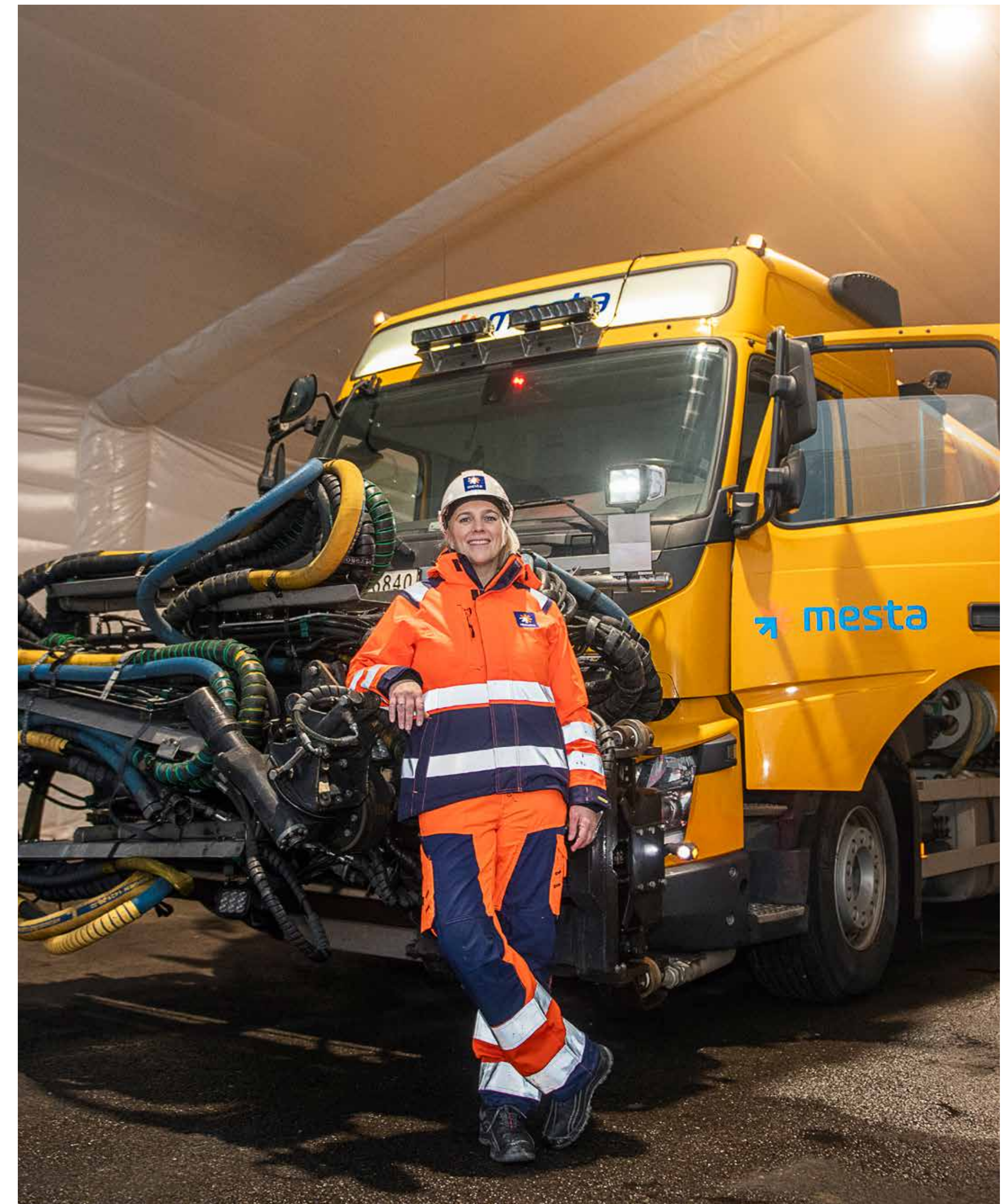
Remuneration of board members, the Remuneration Committee and the Audit Committee is set at the annual general meeting for the period up to the next annual general meeting. The minutes of the annual general meeting are published on the company's website, showing the directors' remuneration and remuneration of the Audit and Remuneration Committees.

Owner-elected board members do not normally carry out additional tasks for the company. No fee is paid for other tasks. Any fee for special tasks shall be approved by the Board of Directors and disclosed in the Annual Report.

→ *Deviations from the Code: None*

ITEM 12: SALARY AND OTHER REMUNERATION OF SENIOR EXECUTIVES

Mesta follows the State's Guidelines for the remuneration of senior executives in companies with State ownership in the Group and subsidiaries, with the exception of contracts entered into before the White Paper on state ownership came into effect.



Pursuant to the company's articles of association, the Board of Directors shall draw up a statement on salaries and other remuneration of senior executives.

The company shall follow section 6-16a of the Public Limited Liability Companies Act, Guidelines for salaries and other remuneration of senior executives in listed companies; section 6-16b of the same act, Report on salaries and other remuneration of senior executives in listed companies; and the Regulation on guidelines and report on remuneration of senior executives. Guidelines in conformance with section 6-16a of the Act and the Regulation shall be submitted for the approval of the annual general meeting as from and including 2022. The guidelines shall also contain an account of how the State's 'Guidelines for the remuneration of senior executives in companies with State ownership' have been complied with in the company's wholly owned subsidiaries. A remuneration report in conformance with section 6-16a of the Act and the Regulation shall be submitted for the approval of the annual general meeting no later than as from and including 2023.

The Board of Directors' statement on salaries and other remuneration of senior executives is presented in a note to the consolidated accounts, which are available on the company's website.

The main objective of the company's executive pay policy is for remuneration of senior executives in the company to promote achievement of the company's targets and sustainable value creation, and to support the company's strategy, long-term interests and financial capacity. Moreover, the remuneration of executives shall be competitive and simultaneously have a moderating effect by the company avoiding being a wage leader in comparison with peer companies.

Payments to the Group CEO and senior executives are disclosed and quantified in a note to the consolidated accounts.

→ *Deviations from the Code: None*

The main objective of the company's executive pay policy is for remuneration of senior executives in the company to promote achievement of the company's targets and sustainable value creation, and support the company's strategy, long-term interests and financial capacity.

ITEM 13: INFORMATION AND COMMUNICATIONS

Mesta publishes its annual and interim accounts on the company's website, www.mesta.no.

Mesta does not have any securities that are traded on the stock exchange or other public market place and is therefore not subject to the requirements governing information and communications set out in the Securities Trading Act and the Oslo Børs rule book. Accordingly, the Board of Directors has not seen any need for guidelines for reporting the company's results and other information or to set guidelines for contact with shareholders outside the general meeting.

→ *Deviations from the Code: Based on the ownership status and the fact that the company is not subject to the requirements of the Securities Trading Act or the Oslo Børs rule book, this item is not considered relevant to Mesta.*

ITEM 14: TAKE-OVERS

The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, is the sole owner of Mesta AS and, on this basis, this item in the Code is considered of little relevance to the company.

Should it receive a take-over bid for the company, Mesta will communicate this to the owner. In such a case the Board of Directors will issue a statement as to whether or not the owner should accept the bid. The statement will be based on an appraisal by an independent expert. The Board of Directors shall not

in any way prevent or make it difficult for anyone to submit a take-over bid for the company.

→ *Deviations from the Code: None*

ITEM 15: AUDITOR

The company's auditor presents the main elements of the plan for the audit work to the Audit Committee each year. In addition, the auditor participates in the discussion of the annual accounts by the Audit Committee and the Board of Directors. The auditor presents any changes in accounting principles and provides an assessment of key accounting estimates.

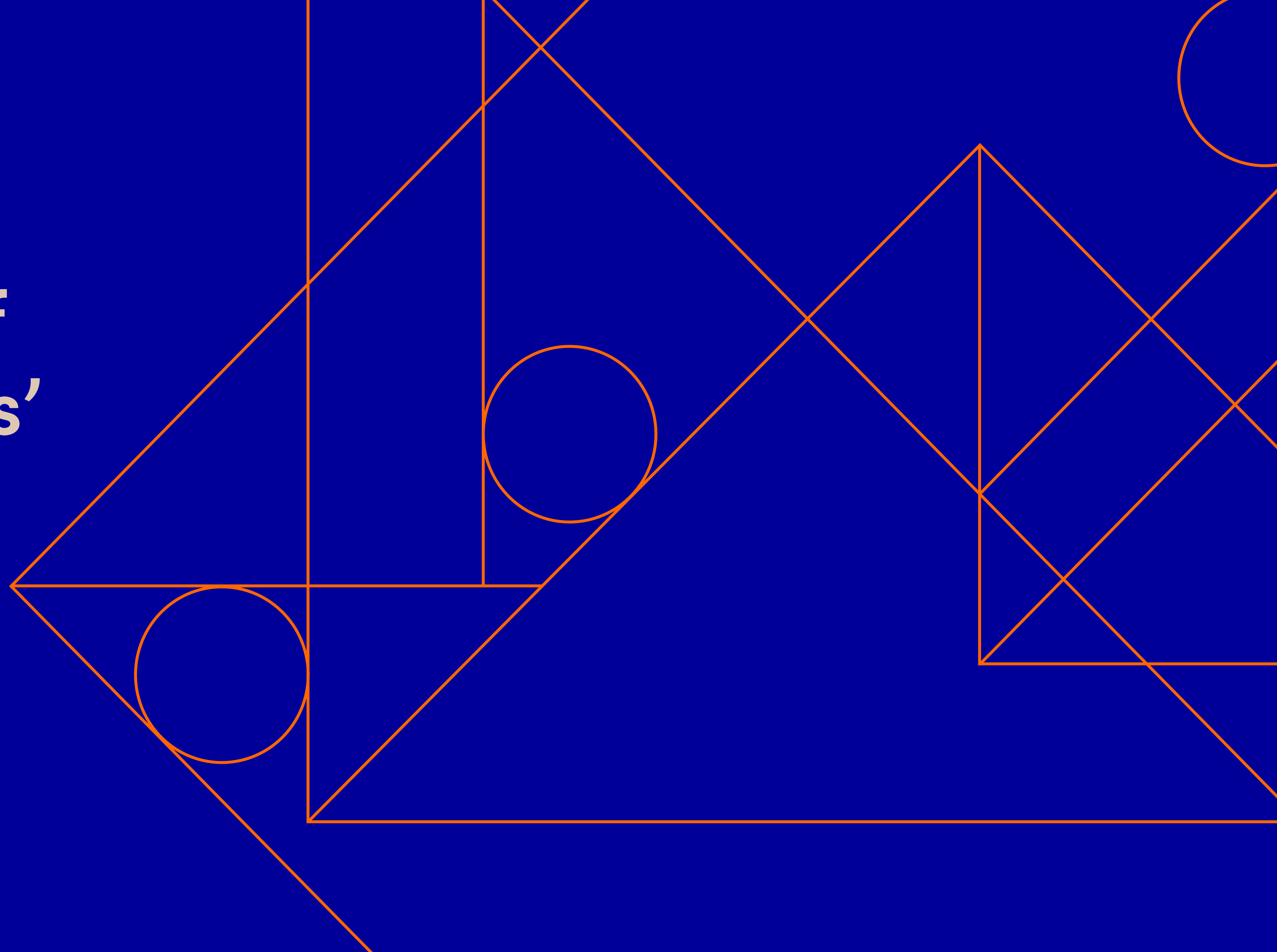
The auditor has an annual meeting with the Board of Directors without the Executive team being present. The auditor attends the company's annual general meeting.

Each year, the auditor confirms in writing to the Board of Directors that they meet the impartiality requirements. The breakdown of the auditor's fee into standard audit and various additional services is disclosed in a note to the accounts.

→ *Deviations from the Code: No guidelines have been set concerning the Executive team's right to use the auditor for other services, but the auditor summarises which services have been provided in addition to the standard audit each year.*

The Board of Directors is responsible for good corporate governance. Mesta applies the Norwegian Code of Practice for Corporate Governance (NUES) in force at any time, within the frameworks and subject to the restrictions imposed by the company's organisational structure and ownership.

Board of Directors' report



Board of Directors' report

Mesta is Norway's largest contracting company within operation and maintenance of roads. In addition, Mesta is the largest company within specialist projects on roads and railways, such as tunnel rehabilitation, rockfall and landslide protection, quay and bridge maintenance, and road safety solutions. Mesta is also the largest company within electrical engineering solutions for roads and tunnels, including maintenance, rehabilitation and establishing new systems.

As well as Mesta AS, the Group comprises the following subsidiaries: Rail Infrastructure AS (RIAS), Mesta Eiendomsselskap AS and Mesta Sverige AB. Rail Infrastructure AS was acquired in June 2021 and consolidated in Mesta AS from that date. During 2021, all property in the Mesta Group was brought together in the company Mesta Eiendomsselskap AS. Mesta Sverige AB has been a company without active operations (shell company) since March 2019.

Mesta was established on 1 January 2003, when the production activities of the Norwegian Public Roads Administration were spun off as a separate limited company and opened up to competition. Mesta is 100% owned by the Norwegian Ministry of Trade, Industry and Fisheries.

The company has both public- and private-sector customers all over Norway. The public sector makes up the majority, with the Public Roads Administration and Norway's counties being the largest individual customers.

The head office is at Lysaker in Bærum, but Mesta has operations, and local offices and construction sites throughout the country. Mesta also engages many small- and medium-sized contractors with a local affiliation throughout Norway.

CORPORATE GOVERNANCE REPORT

The annual accounts for Mesta have been presented in accordance with Norwegian accounting standards, both for the Group and the parent company, Mesta AS. The Board of Directors is of the opinion that the annual accounts provide an accurate and truthful picture of the financial performance in 2021 and of the financial position at 31 December 2021. In conformity to the requirements of Norwegian accounting legislation, the Board of Directors confirms that the conditions for presenting accounts based on the assumption of a going concern are in place, and that this has formed the basis for preparation of the accounts.

The Board of Directors' report will refer to other parts of the Annual Report that constitute statutory reports; these form an integral part of the report. The reports on sustainability, climate and the environment, and on diversity and gender equality, can be found on pages 13–18 of the Annual Report. Social conditions, including the working environment, are described on pages 20–26. Corporate governance is described on pages 30–38. For a more detailed description of the work relating to social conditions, the Activity and reporting duty (ARP) is available as a separate report on mesta.no

Directors' and officers' liability insurance has been taken out for the boards of directors in the Mesta Group.

PROFIT FOR THE YEAR

Group revenue increased from NOK 4,568 million in 2020 to NOK 5,346 million in 2021. Operating profit for 2021 was NOK 214 million, compared with NOK 187 million in 2020. This gives an operating margin of 4.0 per cent.

The 2021 financial year as a whole saw earnings growth of NOK 27 million on 2020. Profit was increased by gains on the disposal of property and reduced by provision for future losses on individual construction contracts. Overall, there is a significant improvement in operating profit for underlying operations. The increase in profit has been driven by strong revenue growth. Compared with 2020, all the business areas achieved growth in 2021.

BALANCE SHEET AND LIQUIDITY

At 31 December 2021 Mesta had provisions for future losses on 8 (9) contracts amounting to NOK 154 million (NOK 243 million). Figures for 2020 are in parentheses. There has been a positive development in onerous contracts, with NOK 3 million more collected for the year as a whole than expected in the winding-up plan.

No research and development projects that meet the capitalisation conditions set out in the Accounts Act were carried out in Mesta AS in 2021.

Mesta's order backlog at 31 December 2021 was NOK 9,992 million (NOK 9,341 million).

Total consolidated cash flow from operating activities was NOK 234 million, while the Group posted profit before tax of NOK 216 million. The equivalent figures for the parent company were NOK 190 million and NOK 208 million respectively. Net investments in the

Group in 2021 were NOK 156 million (NOK 119 million), including the acquisition of Rail Infrastructure AS (RIAS), effective 1 July 2021. Net investments in the parent company were NOK 160 million.

The Group's cash and cash equivalents at 31 December 2021 were NOK 469 million (NOK 420 million). The Group has good capacity to self-finance investments.

Mesta AS has a bank overdraft facility of NOK 500 million, which is subject to covenants. The Group was in compliance with all the loan terms at 31 December 2021.

Total assets in the Group at year-end 2021 were NOK 2,073 million (NOK 1,799 million). The parent company's total assets at year-end 2021 were NOK 2,058 million (NOK 1,801 million). Deferred tax assets of NOK 83 million were capitalised at year-end 2021 (NOK 135 million). Deferred tax assets in the parent company were NOK 88 million at year-end (NOK 135 million).

Sustainability-related demands from both customers and society are increasing. This is why it was important for the company to be awarded operating contract 9106 Gjøvik–Romerike 2022–2027 for the Public Roads Administration at a value of NOK 437 million.

The Group's equity ratio at 31 December 2021 was 31.5 per cent (30.7 per cent).

BUSINESS AREAS

Mesta has four business areas: Operation and Maintenance, Construction and Specialist Production, Electrical Engineering and RIAS (railway-related construction).

Operation and Maintenance

Business:

Operation and Maintenance is Mesta's largest business area, representing approx. 60 per cent of total revenue. The main activity is operation and maintenance of national and county roads. The biggest customers are the Public Roads Administration and the county municipalities, and Operation and Maintenance also undertakes smaller jobs for local principals. In addition, Operation and Maintenance carries out a number of other tasks associated with e.g. airfields, the railway and wind farms. O&M has achieved good revenue growth and profitability development.

Figures in NOK million	2021	2020
Revenue	3,373	3,028
Operating profit (EBIT)	182	118
Operating margin	5.4%	3.9%



ELECTRIC STARTING SHOT FOR THE MACHINERY OF THE FUTURE

2021 saw Mesta buy its first electric lorry, subsidised by Enova. This electric lorry is one of the first in Norway to be equipped with a crane, something that will enable us to gain useful knowledge of e.g. power consumption when using a crane. This kind of expertise will be important for us in the future. We also set our own target for the share of newly acquired vehicles that would be electric in 2021. The target was 15 per cent, and the actual result was 20 per cent.

Market outlook and new contracts:

The market for operation and maintenance of roads is in flux. The regional reform programme has brought new forms of contract, and we have gained new customers in the form of county municipalities. In general, Mesta views the market as good. The company anticipates increased demand for maintenance of roads in the future in order to uphold good standards and safe infrastructure. Sustainability-related demands from both customers and society are increasing. This is why it was important for the company to be awarded operating contract 9106 Gjøvik–Romerike 2022–2027 for the Public Roads Administration at a value of NOK 437 million. Reduction in greenhouse gas emissions, working conditions and preparedness were awarding criteria alongside price. A second important contract the company was awarded in 2021 concerns winter operation of Oslo Gardermoen Airport in the period up to 2027, with Avinor as principal. The awarding criteria in this case were quality, environment and price.

Operation & Maintenance starts 2022 with an order backlog of NOK 7.7 billion and 49 operating contracts.

Construction and Specialist Production**Business:**

Construction and Specialist Production represents approx. 25 per cent of Mesta's total business. The main activity is projects and construction work involving

roads, tunnels, railways etc. Examples of projects include tunnel rehabilitation; crash barrier installation; landslide protection for roads and railways; construction work on roads, bicycle paths and pavements; construction work on and in connection with railways and stations; operations and construction work at quays and ports; building and maintenance of bridges, etc. This business area has seen good revenue growth but, at the same time, a number of onerous contracts have reduced profitability.

Figures in NOK million	2021	2020
Revenue	1,510	1,293
Operating profit (EBIT)	-32	44
Operating margin	-2.2%	3.4%

Market outlook and new contracts:

The market is good, and demand in this business area is high. However, competition in tender rounds is also strong. Our industry is seeing increasing demands concerning the environment and documentation, including Euro 6 requirements for machinery.

In the course of 2021, the business area was awarded many important contracts, including to rehabilitate and repair two dams for SISO energi AS. During 2022, we are to demolish old snowsheds along the Bergen Line and erect new steel ones for Bane Nor. The contract is worth NOK 73 million. Maintenance contracts for ferry

During 2022, we are to demolish old snowsheds along the Bergen Line and erect new steel ones for Bane Nor. The contract is worth NOK 73 million.



quays remain an important business area for us going forward. We have been awarded several of these contracts over the past year, including maintenance of the ferry quays in Møre og Romsdal county municipality until 2024, with a contract value of NOK 61 million.

Construction and Specialist Production starts 2022 with an order backlog of NOK 974 million.

Electrical Engineering

Business:

The Electrical Engineering business area represents around 10 per cent of Mesta's total revenue. Mesta Elektro is a leading company within road-related electrical engineering, carrying out maintenance, new builds and rehabilitation. The project department undertakes work throughout Norway and has established itself as a strongly preferred supplier of electrical engineering services in connection with tunnel rehabilitation. The business area has achieved good revenue growth and stable profitability.

Figures in NOK million	2021	2020
Revenue	520	448
Operating profit (EBIT)	23	22
Operating margin	4.5%	4.9%

Market outlook and new contracts:

The market for operating contracts within Electrical

Engineering is expected to be stable or increase slightly in the years ahead. The Public Roads Administration and the county municipalities are continuing previous contract areas with some adjustments. The scope of the contracts today is slightly larger than it has been historically. Mesta was awarded several new operating contracts in 2021, including the contract for Greater Oslo's street lighting for the Public Roads Administration, worth NOK 113.9 million. The electrical installations along the roads in the area will be operated by us in the period to 2027. We were also awarded the operating contract in Møre og Romsdal, with Møre og Romsdal county municipality as principal. This contract is worth NOK 122.5 million and runs until 2027.

The market outlook for the project department in Electrical Engineering is also good, helped by the Tunnel Safety Directive, which involves tunnel rehabilitation and upgrades. Several major development projects are also expected from the Public Roads Administration and the state-owned limited company Nye Veier, and Mesta Elektro hopes to become an important contributor of new, advanced electrotechnical installations and control systems. The project department was also awarded projects in 2021, including upgrade of the Ibestadt Tunnel for BMO tunnelsikring AS. The project department is also to upgrade electrical and control engineering installations in the Jernfjell and Skrikeberg Tunnel

for Birkeland Entreprenørforretning. The project is expected to be completed at the end of 2023.

Electrical Engineering starts 2022 with an order backlog of NOK 1.3 billion.

The scope of the contracts today is slightly larger than it has been historically. Mesta was awarded several new operating contracts in 2021, including the contract for Greater Oslo's street lighting for the Public Roads Administration, worth NOK 113.9 million.

RIAS

Business:

RIAS represents approx. 5 per cent of Mesta's total revenue. The main activity is construction projects on the railway within signalling, electrical engineering, high-voltage plant and telecoms, as well as work on the track and track substructure.

Figures in NOK million	2021	2020
Revenue	96*	-
Operating profit (EBIT)	11	-
Operating margin	10.9%	-

* RIAS was acquired on 1 July 2021; see note 21. Revenue figures are for 1 July–31 December 2021.



MESTA ON TRACK – BOUGHT RIAS

In June the acquisition became a reality, strengthening Mesta as an infrastructure company and making rail a larger part of our portfolio. Mesta and RIAS have proved to complement each other extremely well. RIAS is a nationwide contracting company for installation and maintenance within railway engineering. At the acquisition date, RIAS had just under 80 employees and revenue of NOK 240 million. The company is now 100% owned by Mesta. Integration of the company has gone really well, and we are already experiencing good synergies.

Market outlook and new contracts:

The railway segment has a significant maintenance backlog and high investment requirements. Annual appropriations within the segment are at a historic high, and there is a trend towards increased use of framework agreements and larger interdisciplinary projects. One of the projects RIAS worked on in 2021 was the Arna–Fløen project for Azvi S.A. RIAS has been responsible for all technical installations of telecoms and low- and high-voltage facilities in the new 7.6 km Ulriken Tunnel. RIAS is carrying out equivalent technical installations in connection with rehabilitation of the existing tunnel through Ulriken, which dates from 1964. The project will make the tunnels among the safest railway tunnels in Europe. The contract has an estimated value of NOK 212 million. Furthermore, in the period up to June 2022, RIAS is building cable ducts for new signalling systems and power supply for the ERTMS system on the Oslo–Ski section of the line for Bane Nor at a value of NOK 53 million.

RIAS starts 2022 with an order backlog of NOK 117 million.

ORGANISATION

Mesta's employees are the company's most important resource. At 31 December 2021 Mesta had 1,696 employees: 80 in RIAS AS and the remainder in the parent company, Mesta. The number of full-time equivalents was 1,674, including 58 apprentices.

To be competitive, Mesta depends on having an employee group that represents a wide range of diversity. Building greater diversity in Mesta is high on our agenda, as well as being a core area in the company strategy.

Upskilling was a key initiative throughout 2021, Mesta implemented a new training system to boost training and continuous skills development. The system is called MestR and is now in use across the organisation.

In autumn 2021 Mesta launched a new virtual version of its project manager school. Digital training is offered every month, covering topics such as the manager's role, finance and following up sick leave. Feedback has been positive, both from participants and managers.

The company has also gained oversight of legally required, documented and certified skills through a project that started in autumn 2020. Modern learning methods are used, both digital classrooms and digital games.

In line with Mesta's strategic battle to become the industry's digital champion, the company chose to invest in a new provider for its employee survey. This improved both quality and subsequent follow-up. 80 per cent of employees responded to the 2021 employee survey, and the results were positive. The

main findings show that work satisfaction and loyalty to Mesta as an employer are high.

Building greater diversity in Mesta is high on our agenda, as well as being a core area in the company strategy.

Working environment and safety

In 2021 we focused on increasing the reporting of hazardous situations and undesired incidents, based on the philosophy that we can only take action on things we know about. These efforts generated results, with 5,954 hazardous situations and undesired incidents reported in 2021, compared with 3,849 in 2020 – an increase of more than 2,000.

In 2021 we recorded a total of 56 incidents where persons were injured badly enough to require medical treatment or to be unable to perform their work as planned. These incidents varied greatly in severity.

On 25 February 2021 Mesta was hit by a tragic occupational accident in which an employee was caught in an avalanche. The employee later died as a result of the injuries he suffered in the accident. Both the police and the Norwegian Labour Inspection Authority have completed their investigations, and Mesta is not subject to any orders or penalties relating to the case.

**LAUNCH OF MESTR – A NEW DIGITAL LEARNING PLATFORM**

MestR, Mesta's new digital learning platform, was launched before Christmas. The learning platform is easily accessible on PC, tablet and, not least, mobile. This is an important point for an employee group where many people do not use a PC in their work but are out and about on site, in vehicles and on machinery. The platform enables learning to be tailored and allocated depending on position, work tasks and experience.

This provides scope for what we call 'micro-learning', which is short modules of 5–15 minutes. This allows training and learning to happen as an integral part of the working day. Learning methods will combine quizzes, videos and games, making learning more engaging and involving. Easily accessible and engaging courses increase employees' ownership of their own development.

During work in the Maursund/Kågen tunnels in October and November 2021, a total of four CO-related incidents resulted in employees receiving medical treatment. These incidents have been reported and are being investigated by the Norwegian Labour Inspection Authority and the police.

Several preventive measures were implemented in 2021, including HSE campaigns and training, as well as projects to reduce sick leave, vibration injuries and exposure to diesel fumes.

Sustainability

Mesta's sustainability work has buy-in from the company's Board of Directors and Executive team. 'Sustainability in everything we do' is a key part of the company's strategy. The work is linked to three of the UN Sustainable Development Goals:

- Gender equality
- Industry, innovation and infrastructure
- Climate action

In an updated materiality analysis carried out in the spring of 2021, the company's stakeholders signalled that two additional areas should be given greater weight: responsibility in the supply chain and consideration for species diversity and biodiversity. Sustainability work in 2021 also embraced assessments of new legal requirements linked to the EU taxonomy

and the Norwegian Transparency Act to ensure that Mesta is in compliance with the new requirements.

The goal is to halve CO₂ emissions by 2030 (from 2019 level). To achieve this goal, a large part of the company's vehicles and machinery will need to switch to renewable fuels.

Climate and the environment

The company's climate impact derives primarily from combustion of fossil fuels. The goal is to halve CO₂ emissions by 2030 (from 2019 level). To achieve this goal, a large part of the company's vehicles and machinery will need to switch to renewable fuels. This development is under way and, for the first time, emissions reductions were weighted as a separate awarding criterion in operating contracts in 2021. Mesta fully supports this development. Mesta also expects to see stricter requirements linked to the circular economy and nature considerations in the next few years and is working to increase expertise and concrete measures in these areas. You can find a separate report containing detailed Energy and climate accounts for 2021 on Mesta.no.

Digital transformation

Strategic implementation and digital transformation were in focus in 2021. This involved organising, digital

competence, and establishing a new structure, roles and working methods. All the development initiatives are linked to the five strategic battles, with clear goals for what we shall have achieved by the time an initiative is finished.

Mesta is working towards becoming data-driven, which means basing decisions on facts. To this end, the company has established a cloud-based data platform that consolidates data from many sources. This platform has now become the company's primary reporting source and is driving the democratisation of data in Mesta, with information becoming much more available to those who may have need of it.

Diversity and inclusivity

Mesta aims to be a workplace where there is full equality between women and men. There shall not be any discrimination based on gender in matters such as salary, promotion, recruitment etc.

The company currently has a female quota of 11 per cent. This is unevenly distributed, with more women in management and administrative roles than in the group of manual workers. Taking the group of skilled workers in isolation, the quota is 5 per cent. Recent figures from the industry show that supply of female labour is limited. The female quota in the industry is 9 per cent and just 2 per cent for skilled workers.



NATURE AND BIODIVERSITY

2021 saw a large variety of tasks related to nature and biodiversity. In Nordfjord we used goats to keep roadside vegetation under control in areas where mechanical cutting was challenging. In Bekkarfjord employees built a trout ladder to give sea trout better access in the Geitelva river. The biggest project of this kind is at Vøringsfossen waterfall, where Mesta is building a new viewing platform and access to this. Nature considerations have been central here, and the work has been planned and carried out so as to minimise damage to nature by construction machinery. Revegetation of areas showing traces of construction activity has been an important part of the contract.

	No. of women		No. of men		Total for Mesta
Level 1: Executive team	4	(44%)	5	(56%)	9
Level 2: Project managers/division managers	15	(37%)	26	(63%)	41
Level 3: Line managers	27	(14%)	164	(86%)	191
Level 4: Manual workers/project support	139	(10%)	1,316	(90%)	1,455
Total for Mesta	185	(11%)	1,511	(89%)	1,696

Gender equality and diversity are included in the code of conduct, and Mesta wishes to show respect for the individual and work actively to achieve a positive working environment characterised by equality and diversity. The company does not accept any form of discrimination against its own employees or others associated with its business. The Activity and reporting duty (ARP) requires all employers to take an active approach to equality and non-discrimination. Mesta has made its Activity and reporting duty (ARP) available as a separate report on the website, mesta.no.

Code of conduct and employment

Mesta has a code of conduct that sets out how to behave when interacting with customers, suppliers, colleagues and external parties. Breaches of the company's code of conduct may have consequences for the employment relationship. All employees have a duty to report censurable conditions, and the company has routines in place for employees who wish to do so. As a starting point, the report shall be made internally, but an external whistleblowing scheme has also been established.

Two whistleblowing cases were dealt with via the scheme in 2021.

Mesta takes an active approach to corporate social responsibility (CSR) throughout the supply chain by assessing both social and environmental standards as well as other factors when selecting suppliers.

Social conditions

All employees in Mesta shall feel valued in their workplace, and that their workplace is safe and secure with a good working environment and space for diversity.

Mesta reviews incidents involving serious injuries, breaches of the code of conduct or incidents with potential for extensive material damage. The parties involved take part in these reviews, together with the safety representative, project manager, HSE staff and, in some cases, HR.

Undesired incidents are registered and dealt with in Mitt Mesta, Mesta's management system for quality, HSE and the environment.

Mesta takes an active approach to corporate social responsibility (CSR) throughout the supply chain by assessing both social and environmental standards as well as other factors when selecting suppliers.



Mesta has an internal occupational health service (OHS) that plays an active part in preventing work-related illness and absence.

Mesta's sick leave figures were above the industry average in 2021. Over time, sick leave has historically been around 6 per cent in Mesta, with a target of 4.5 per cent. The industry figures for building and construction for the same period were around 5.2 per cent.

Mesta has collective wage agreements covering all groups of employees and has entered into a cooperation agreement with the union officials. There is one position in the company with paid time off for official duties for the senior union official and one for the senior safety representative.

RISK MANAGEMENT

Mesta assigns risk management a high priority and works continuously to further develop how it handles risk so this is effective, standardised and uniform for all parts of the organisation.

Risk management starts as soon as a tender is submitted. All tenders over NOK 20 million shall be risk-assessed on the basis of well-embedded procedures. The risk analyses accompany the tenders to the planning and production phase to ensure that identified risk elements are addressed.

The company also has established procedures for managing risk in the start-up phase. This takes the form of two standardised risk reviews per project as well as regular status meetings in the start-up phase.

Risk reviews are carried out for ongoing projects worth over NOK 20 million per quarter.

In 2021 the company established digitalised processes that use historical data as a basis for holistic risk management in the tender, planning and execution phases of projects.

Mesta is exposed to risks of both an operational and financial nature. Risk reflects uncertainty or variation in performance.

Operational risk

This covers commercial risk and risk relating to the company's own operations.

Commercial risk

Commercial risks arise as a result of external conditions. For example, this may be linked to the actions of competitors, changes in customers' contracting rules, regulatory changes and other political risk. The significance of commercial risk has been intensified by the Covid-19 pandemic and the measures taken by the authorities in response to this. Mesta is monitoring the

situation closely and implementing measures on an ongoing basis.

As a result of the Regional Reform of 1 January 2020, responsibility for operation and maintenance of the secondary road network was transferred from the Public Roads Administration to the counties. The secondary road network accounts for more than 70 per cent of Norway's total road network. Further to this change, Mesta acquired 11 new, major public-sector customers in 2020. It is clear that some county municipalities are trialling new approaches to the role of operational contractors and the tasks assigned to them. This is manifested in the testing of new contract formats, which represents a commercial risk for the company. Mesta is following developments closely, with a view to being able to deliver value to the customers in accordance with the overall goals of the National Transport Plan (NTP): better road safety, greater efficiency and smaller climate footprint.

Climate and the environment form an important part of Mesta's risk assessments. Environmental impact is assessed in each project, and the risk assessment is included in existing management and reporting routines.

An analysis carried out in the spring of 2021 concluded that Mesta's business had been impacted by climate-

related changes. The risk elements assumed to be greatest are spread across several types of commercial risk. This includes social changes linked to the transition to a low-emissions society and changes to markets, policy and regulations, technology and reputation, as well as acute damage arising from landslides or floods, for example. Among the most significant risk elements it is worth mentioning the impact of climate policy on the overall scope of investments in roads, uncertainty linked to climate requirements in new contracts and high investment costs linked to low-emission vehicles, as well as the low residual value of existing equipment.

Climate and the environment form an important part of Mesta's risk assessments. Environmental impact is assessed in each project, and the risk assessment is included in existing management and reporting routines.

Operational risk

In autumn 2020 the company evaluated compliance with 11 key statutory and regulatory requirements, for example relating to the Working Environment Act, driving and rest time provisions, the General Data Protection Regulation, tax regulations, anti-money laundering and competition law. Several measures were initiated, including linked to the company's routines for monitoring subcontractors' compliance with the Working Environment Act, statutory registration of skills, and routines and training to ensure good compliance with driving and rest time

provisions. The overall picture is that the company's operational risk linked to compliance is considered to be acceptable and the follow-up satisfactory.

As part of operational risk, Mesta has measures in place to protect against external attacks on our IT infrastructure. We work closely with our suppliers of IT services to prevent this happening. One of the measures involves employee training and simulating fake emails in order to reveal possible weaknesses in our IT security routines.

The overall picture is that the company's operational risk linked to compliance is considered to be acceptable and the follow-up satisfactory.

Financial risk

Financial risk covers market risk (including risk linked to input factors, interest rates and foreign exchange), credit risk and liquidity risk.

Market risk

Market risk includes foreign exchange risk, raw material risk and interest rate risk.

Foreign exchange risk

Most of Mesta's purchasing is in Norwegian krone. Any foreign exchange exposure in the individual

projects is identified in risk reviews at the time of tender, and taken into account by currency hedging and the pricing of the tender.

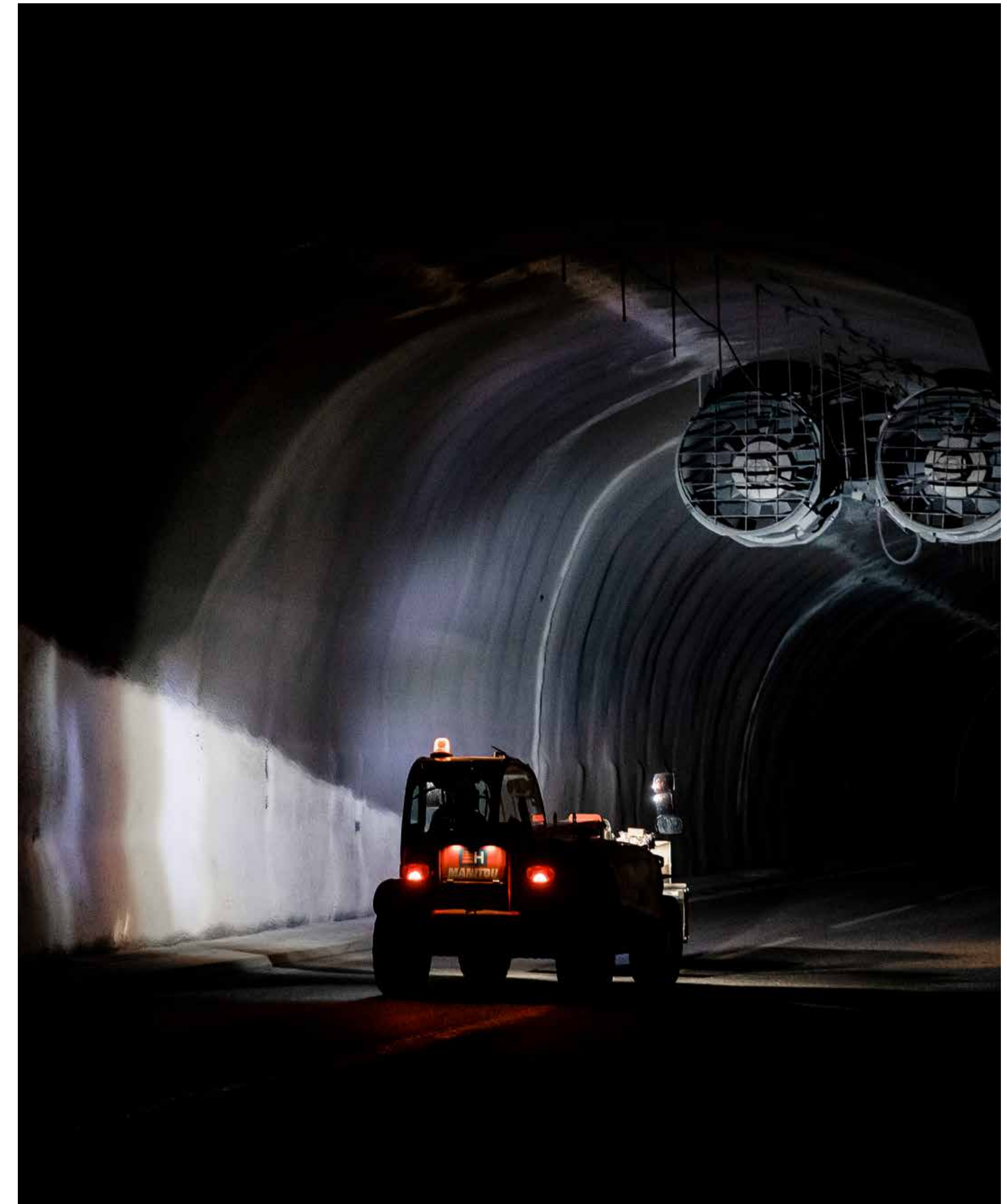
Mesta's foreign exchange exposure is mainly linked to imports of salt and some steel. Mesta hedges the significant exposure to EUR by using forward contracts or buying currency at the time of entering into the contract for purchases that are exposed to foreign exchange.

Risk linked to input factors

Mesta has experienced price fluctuations for input factors in connection with the Covid-19 pandemic and the war in Ukraine, and in some cases there has been limited access to some input factors for the projects, affecting prices. Risk linked to input factors in projects is a separate item in the risk review conducted at the time of submitting a tender. Prices and supply of critical input factors are agreed before entering into a contract. Framework agreements with suppliers also safeguard prices and supply of critical and material input factors for the projects.

Interest rate risk

Mesta's loan agreement is based on floating interest, meaning the company is exposed to interest rate risk. The Group's liquidity situation is good. Mesta has drawn on its loan agreement to some extent in 2021 but had no interest-bearing debt at the balance sheet



date. The interest rate risk is assessed to be low and is monitored on an ongoing basis.

Credit risk

Credit risk is the risk of customers, suppliers and partners inflicting financial losses on Mesta by being unable to fulfil their obligations to the company. A significant part of Mesta's revenue and receivables relates to the public sector, and this exposure is not considered to be subject to credit risk. Credit assessments are carried out when entering into material new customer and supplier agreements in order to reveal possible credit risk.

Mesta has experienced price fluctuations for input factors in connection with the Covid-19 pandemic and the war in Ukraine, and in some cases there has been limited access to some input factors for the projects, affecting prices.

Liquidity risk

Liquidity risk is the risk of the company being unable to honour its obligations when they fall due. The liquidity situation is considered good, with solid access to liquidity through the company's agreements with its bank. The company meets all the requirements in its loan agreements. The company had no interest-bearing debt at the balance sheet date.

MARKET OUTLOOK AND STRATEGY

The market outlook for public investments in infrastructure in the coming years is concretised in the National Transport Plan (NTP). The NTP for 2018–2029 proposes increased appropriations for operation and maintenance of the public road network, and growth in investments in new road projects and railways. In addition, the government continues to focus on further reducing the maintenance backlog, upgrading tunnels, landslide protection and safety fences. Taking the NTP as a starting point, there is a positive market outlook for all four of Mesta's business areas: Operation and Maintenance, Electrical Engineering, Construction and Specialist Production, and Railway.

Competition surrounding development projects in the transport sector is high, including in the subcontractor market and the market for smaller construction projects, where Mesta has significant activity. In the operation and maintenance market, Mesta is experiencing competition from both smaller operators and big companies. The market continues to be characterised by tenders where price is the deciding factor, but there are also tenders where qualitative factors influence the choice of contractor. In connection with the regional reform, the county municipalities have established roads administrations and assumed responsibility for the secondary (county) roads. For Mesta's part, this means that the company has

In summary, Mesta is well positioned in the market. The Group currently has a good order backlog and expects the positive development seen recently to continue.

acquired significantly more public-sector customers. Changes on the customer side, tenderer side and in contracts mean that Mesta's framework conditions are in flux. The inflow of new contracts shows that Mesta is acquitting itself well in the competitive situation.

In summary, Mesta is well positioned in the market. The Group currently has a good order backlog and expects the positive development seen recently to continue.

Over the last two years Mesta has implemented a number of measures to improve the company's financial situation and competitiveness. These include combining all O&M activities in one nationwide organisation, removing a management level and introducing a more flexible project organisation, centralised estimates and calculations, and reduced headcount. At the same time, additional provisions for loss were made in 2019. In 2021 Mesta put the spotlight on further developing the organisation; improving, standardising and automating routines and procedures; driving digitalisation and the green shift; improving synergies across the business areas;

and expanding into the railway segment with the acquisition of RIAS.

Mesta's strategy was adopted in December 2020 and is a cornerstone for the company. Report to the Storting 8 (2019–2020), The State's direct ownership in companies, in which the State clarifies its expectations as owner, served as a premise in the work.

The company shall work on responsible operation and development in all Mesta's specialist areas. As part of the strategy work, the company's scope of opportunity to make a positive difference was analysed with reference to the UN's 17 Sustainable Development Goals (SDGs). Three of the goals were assessed as areas where Mesta can make a particularly positive contribution: Gender equality, Industry, innovation and infrastructure, and Climate action. These areas are assessed as being the most relevant to Mesta's core business.

The repercussions of the Covid-19 pandemic and the war in Ukraine are also affecting Mesta. Like many other businesses, we are experiencing increased and unstable prices for goods, and in some cases shortages of goods essential for us to carry out our work. Mesta is therefore trying to respond to these changes in a way that has the least possible impact on our ability to provide services for our customers.

The company shall work on responsible operation and development in all Mesta's specialist areas. As part of the strategy work, the company's scope of opportunity to make a positive difference was analysed with reference to the UN's 17 Sustainable Development Goals (SDGs).

Actions and progress within the three priority areas shall be measurable and transparent. Targets and action plans have been adopted within each of the three SDGs and form part of the strategic follow-up.

The strategy clarifies the company's goals for value creation with respect to customers (*to be trusted*), partners (*simpler working day*), employees (*meaningful and exciting jobs*), owners (*stable and good returns*) and society (*safety for me*). The strategy also indicates what the company must focus on internally in order to realise the targets – formulated as five 'strategic battles':

- 1) Put safety first
- 2) Develop profitable growth and entrepreneurial spirit
- 3) Become the industry's digital champion
- 4) Integrate sustainability in everything we do
- 5) Be outstanding at execution

The strategy has been widely communicated to all employees, and actions plans have been implemented. The strategy clarifies new targets for the company within the areas of sustainability and digitalisation in particular.

CORPORATE GOVERNANCE REPORT

Mesta has implemented the relevant parts of the Norwegian Code of Practice for Corporate Governance. Please refer to the separate statement on corporate governance on pages 30–38 of the Annual Report. As a company wholly owned by the Norwegian Ministry of Trade, Industry and Fisheries, Mesta follows the State's principles for good ownership. The work of the Board of Directors is based on the same values and code of conduct as Mesta has defined for the company. The Board of Directors held 13 (13) meetings in 2021. No form of compensation has been paid to members of the Board other than directors' fees and fees for meetings of the Audit Committee and Remuneration Committee. The Audit Committee held 6 (4) meetings in 2021, with the focus on reviewing financial reporting and control. The external elected auditor has the opportunity to attend all the meetings of the Audit Committee, and is invited to and attends the meetings dealing with the audit, accounts, and selection and application of accounting principles. The Remuneration Committee held 2 (1) meetings in 2021. The Committee deals with salary and other remuneration of the CEO and senior executives in Mesta.

The Board of Directors undertakes an annual evaluation of its own work.

Shareholders

All the shares in Mesta AS are owned by the Norwegian Ministry of Trade, Industry and Fisheries.

Events after the balance sheet date

There have been no events after the balance sheet date that would have a material impact on the accounts presented.

Allocation of profit

The Board proposes the following allocation of the annual profit for Mesta AS:

Other equity	NOK 95 million
Dividend	NOK 68 million
Total allocation	NOK 163 million

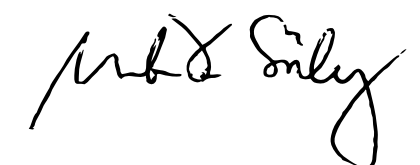
Lysaker, 24 March 2022



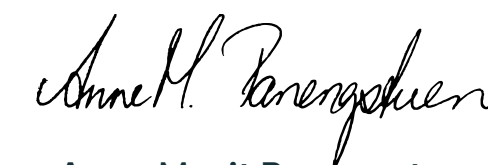
John Nyheim
Chair




Margrethe Hauge
Board member



Morten Karlsen Sørby
Board member



Anne Marit Panengstuen
Board member



Catharina Elisabeth Hellerud
Board member



Sigurd Storøy
Board member



Jan Erik Haldorsen
Board member



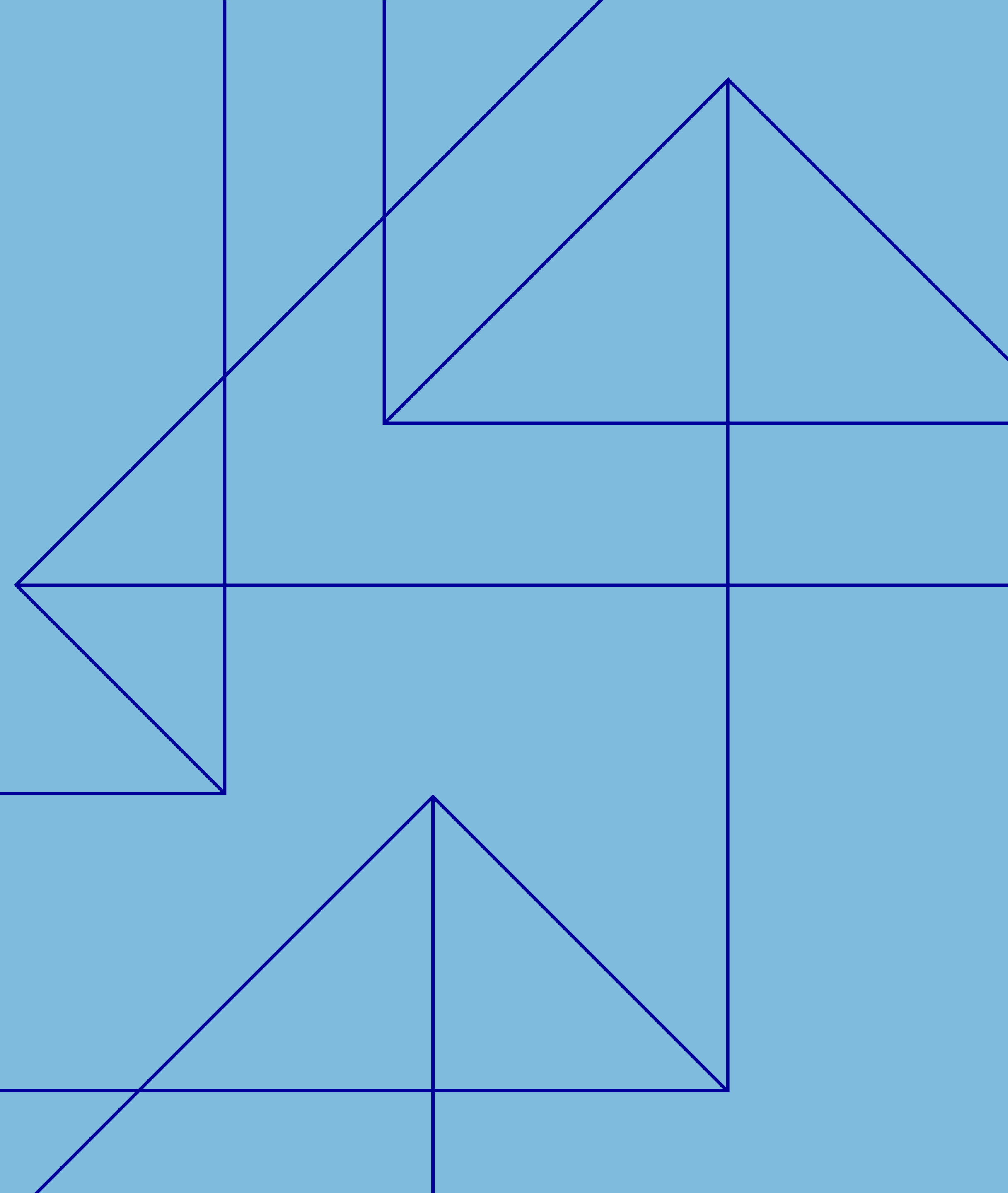
Geir Krokå
Board member



Marianne Bergmann Røren
CEO

The annual accounts for Mesta have been prepared in accordance with Norwegian accounting standards, both for the Group and the parent company, Mesta AS.

Accounts including notes



Income statement

Parent company		Note	Amounts in MNOK	Note	Group	
2020	2021				2021	2020
			Operating income			
4,554	5,182	2.3	Sales revenue	2.3	5,278	4,554
14	61	8	Other operating income	8	68	14
4,568	5,244		Total operating income		5,346	4,568
			Operating expenses			
2,700	3,126		Cost of sales etc.		3,148	2,700
1,235	1,295	5.6	Wages and salaries etc.	5.6	1,336	1,235
103	109	7.8	Depreciation, amortisation and write-downs	7.8	116	103
-	-		Amortisation of goodwill	7	6	-
342	512		Other operating expenses		531	342
4,380	5,041		Total operating expenses		5,132	4,380
188	203		Operating profit		214	187
			Financial income and expenses			
4	3		Financial income		3	4
-	4		Income from investments in subsidiaries and associates		-	-
5	-1		Financial expenses		1	5
-1	5		Net financial items		1	-1
186	208		Profit for the year before tax		216	186
37	45	10	Tax	10	49	37
149	163		Profit for the year		167	149
			Transfers			
30	68	11	Proposed dividend			
119	95	11	Allocated to other equity			
149	163		Total transfers			

Balance sheet

Parent company		Note	Amounts in MNOK	Note	Group	
2020	2021				2021	2020
			Assets			
			Fixed assets			
			<i>Intangible assets</i>			
4	8	7	Proprietary systems	7	8	4
-	-		Goodwill	7.21	57	-
135	88	10	Deferred tax assets	10	83	135
139	96		Total intangible assets		148	139
			<i>Property, plant and equipment</i>			
15	-	8	Land, buildings and other real estate	8	12	15
455	480	8	Plant and machinery	8	480	455
470	480		Total property, plant and equipment		492	470
			<i>Financial assets</i>			
2	124	15	Investments in subsidiaries		-	-
22	-	6	Other receivables	6	-	22
24	124		Total financial assets		-	22
633	699		Total fixed assets		641	631
			Current assets			
98	139	4	Work in progress	4	141	98
			<i>Receivables</i>			
631	728	3	Trade receivables	3	782	631
-	4	16	Loans to Group companies		-	-
18	40		Other receivables		41	19
650	772		Total receivables		823	650
420	448	9.12	Cash at bank	9.12	469	420
1,167	1,359		Total current assets		1,432	1,168
1,801	2,058		Total assets		2,073	1,799

Balance sheet (continued)

Lysaker, 24 March 2022



John Nyheim
Chair



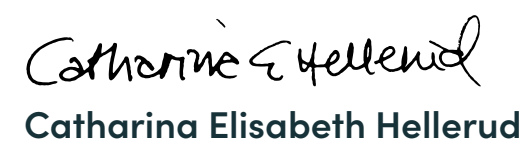
Margrethe Hauge
Board member



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Anne Marit Panerugstuen
Board member



Catharina Elisabeth Hellerud
Board member



Sigurd Storøy
Board member



Jan Erik Haldorsen
Board member



Geir Krokå
Board member



Marianne Bergmann Røren
CEO

Parent company		Note	Amounts in MNOK	Note	Group	
2020	2021				2021	2020
			Equity and liabilities			
			<i>Equity</i>			
500	500	11	Share capital	11	500	500
-	3	11	Share premium	11	-	-
500	503		Total contributed equity		500	500
			<i>Retained earnings</i>			
51	146	11	Other equity	11	152	52
51	146		Total retained earnings		152	52
551	650		Total equity		652	552
			Liabilities			
			<i>Provision for liabilities</i>			
287	227	13	Other provisions for liabilities	13	233	287
287	227		Total provisions for liabilities		233	287
			<i>Other long-term liabilities</i>			
-	-		Other long-term liabilities		-	-
-	-		Total other long-term liabilities		-	-
			<i>Short-term liabilities</i>			
501	646		Trade payables		656	502
3	31	16	Debt to Group companies		-	-
-	-	10	Tax payable	10	-	-
30	68	11	Provisions for dividend	11	68	30
174	165		Unpaid government taxes		172	174
254	273		Other short-term liabilities		292	254
963	1,182		Total short-term liabilities		1,188	960
1,250	1,408		Total liabilities		1,421	1,247
1,801	2,058		Total equity and liabilities		2,073	1,799

Cash flow

Parent company		Amounts in MNOK	Group	
2020	2021		2021	2020
		Cash flow from operating activities		
186	208	Profit before tax	216	186
-8	-	- Taxes paid for the period	-	-8
-9	-61	-/+ Gain/loss on disposal of fixed assets	-65	-9
103	109	+ Ordinary depreciation and amortisation	116	103
18	-42	+/- Change in inventories	-43	18
-71	-96	+/- Change in trade receivables	-212	-71
23	145	+/- Change in trade payables	212	23
-63	-73	+/- Change in other accruals	11	-63
179	190	= Net cash flow from operating activities	234	179
18	73	+ Disposal of property, plant and equipment	78	18
-137	-149	- Acquisition of property, plant and equipment	-150	-137
-	-84	- Acquisition of subsidiaries	-84	-
-119	-160	= Net cash flow from investing activities	-156	-119
		Cash flow from financing activities		
3	27	+ New short-term borrowing	-	3
-	-30	- Dividend paid	-30	-
3	-3	= Net cash flow from financing activities	-30	3
63	27	= Net change in cash and cash equivalents	49	63
357	420	+ Cash and cash equivalents at the start of the period	420	357
420	448	= Cash and cash equivalents at the end of the period	469	420

Notes to the financial statements

NOTE 1 / ACCOUNTING PRINCIPLES

The consolidated and parent company accounts have been prepared in conformance with the Norwegian Accounts Act 1998 and generally accepted accounting principles in Norway.

General information

Mesta AS is a Norwegian public limited company, established and domiciled in Norway. Mesta is 100% owned by the Norwegian State represented by the Ministry of Trade, Industry and Fisheries.

Fundamental principles

The accounts have been prepared in accordance with Norwegian accounting legislation and generally accepted accounting principles (GAAP). The accounts are based on the fundamental principles governing transaction, accrual, compilation, caution, congruence and comparability. The consolidated and parent company accounts comprise income statement, balance sheet, cash flow statement and notes.

Estimates

Where there is uncertainty as to actual figures, best estimates are used based on information available at the time of presentation of the accounts. If accounting estimates are subsequently changed, the impact of the change is recognised in the income statement in the period in which the estimate is changed. The accounting items that involve significant estimates come under receivables and other liabilities in connection with contractor operations.

Comparability

The figures are presented in Norwegian kroner (NOK), in whole millions.

Consolidation principles

The consolidated accounts comprise Mesta AS and subsidiaries where Mesta AS has controlling interest as a result of legal or actual control. The consolidated accounts have been prepared using uniform accounting principles for similar transactions in all the companies

included in the consolidated accounts. All material transactions and balances between companies in the Group have been eliminated.

Acquisitions

The acquisition method is used when accounting for business combinations. Companies that are acquired or divested in the course of the year are included in the consolidated accounts from the date control is achieved and until control ceases. The transaction date is when risk and control have been transferred. A value analysis of the cost price of the shares is carried out at the same time. The cost price of shares in subsidiaries is offset against equity at the acquisition date. Identifiable assets, liabilities and contingent liabilities are recognised at fair value. Any difference between cost price and fair value of assets acquired, liabilities assumed and contingent liabilities is recognised as goodwill or taken to income if the cost price is lower. There is no provision for deferred tax on goodwill. Goodwill is amortised following an assessment of economic life.

Main rule for valuation and classification of assets and liabilities

Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due within one year are classified as current assets. Corresponding criteria are used when classifying short- and long-term liabilities. Current assets are valued at the lower of acquisition cost and fair value.

Fixed assets are valued at acquisition cost but written down to recoverable amount if this is lower than the carrying amount and the reduction in value is not expected to be temporary. Fixed assets with finite economic life are depreciated/amortised according to plan.

Other long-term and short-term liabilities are valued at the nominal amount.

Assets and liabilities in foreign currencies, and hedging

Monetary items denominated in foreign currencies are translated in the balance sheet at the rate prevailing on the balance sheet date.

Forward exchange contracts are not recognised in the balance sheet at fair value on the balance sheet date. Mesta AS buys foreign exchange on forward contracts to hedge its purchases of raw materials in other currencies. The Group applies hedge accounting to the financial instruments in line with NRS 18. Any change in the value of the instruments is not recognised in the accounts but is included as part of the cost price of purchased raw materials.

Intangible assets

Expenses for in-house manufacture of intangible assets are capitalised if it is likely that the future economic benefits linked to the assets will accrue to the company and the acquisition cost can be measured reliably.

Intangible assets that are purchased individually are recognised at acquisition cost. Intangible assets acquired

in connection with a business acquisition are capitalised at acquisition cost if the capitalisation criteria are met.

Intangible assets with finite economic life are amortised according to plan. Intangible assets are written down to the recoverable amount if the expected economic benefits do not cover the capitalised amount and any remaining manufacturing expenses.

Property, plant and equipment

Property, plant and equipment is capitalised and depreciated over the asset's expected economic life. Direct maintenance of plant and machinery is expensed under operating expenses on an ongoing basis, while upgrades or improvements are added to the asset's cost price and depreciated over the same economic life. If the fair value of an asset is lower than the carrying amount, and this is due to reasons that are not temporary, the asset is written down to fair value. If the cost price is higher than NOK 50,000 and the economic life is assumed to be three years or more, plant and machinery are capitalised and depreciated in accordance with a fixed depreciation schedule.

Leases

A distinction is made between finance and operating leases, based on a concrete assessment of the individual lease.

Plant and machinery that is leased on terms that essentially transfer economic risk and control to the company (finance lease) are capitalised under

Property, plant and equipment and the related lease liability is recognised under interest-bearing long-term debt at the present value of the lease payments. The asset is depreciated according to schedule, and the liability is reduced by the lease payments made less deductions for estimated interest expense. Operating leases are recognised as ordinary operating expenses.

Shares in subsidiaries

Investments in subsidiaries are valued using the cost method. The investments are written down to fair value if the reduction in value is not temporary and this must be considered necessary in accordance with generally accepted accounting principles. Dividends and group contributions received from the subsidiaries are recognised as Other financial income.

Work in progress

Work in progress is valued at the lower of acquisition cost using the average method and net realisable value.

A write-down is made for any expected obsolescence.

Receivables

Trade receivables and other receivables are recognised at face value less provision for bad debts.

Provision for bad debts is made on the basis of an individual assessment of the receivables in question.

Trade receivables include accrued but not yet invoiced contract income on projects.

Cash at bank etc.

Cash at bank etc. includes bank deposits and other means of payment with a due date less than three months from procurement.

Mesta AS and its subsidiaries do not use cash.

Tax

Tax is shown alongside accounting profit before tax. Tax related to equity transactions is entered against equity. Tax comprises tax payable (tax on the direct taxable income for the year) and change in net deferred tax.

Deferred tax is calculated at 22 per cent (22 per cent) of the temporary differences existing between accounting and tax values at the end of the financial year. Temporary differences that increase or reduce tax and are reversed or may be reversed in the same period are offset. The net deferred tax asset is capitalised to the extent it is likely it can be utilised. Tax for the year comprises changes in deferred tax assets and tax payable for the financial year.

Revenue

Sale of goods:

Revenue is recognised as it is earned, i.e. when both risk and control have essentially been transferred to the customer. This will normally be when the goods have been delivered to the customer. Revenue is recognised at the value of the consideration on the transaction date.

Sale of services:

Revenue is recognised as it is earned, i.e. when a payment obligation arises. This happens when the

service is provided, as the work is performed. Revenue is recognised at the value of the consideration on the transaction date.

Operating contracts

An operating and maintenance contract normally extends over five years, with an option to extend for one further year, which the customer can trigger unilaterally. Earnings from operating contracts have two elements: fixed and variable. The fixed element is taken to income and inflation-adjusted on an annual basis in accordance with the payment schedule over the contract term. The variable element is recognised as it is earned, i.e. when a payment obligation arises.

For projects that are expected to generate a net loss in the remaining contract period, the loss is expensed as soon as it is identified. The loss recognition shall cover the remaining ordinary contract term. Valuation of the provision for bad debts is carried out for each operating contract and reflects the net liability to fulfil the contracted obligation, taking account of estimated additional work in the operating contract.

Construction contracts

Construction contracts are recognised as they are invoiced, such that revenue is recognised in line with the completion rate. The revenue recognition shall reflect accrued income, and the degree of completion is used as a measure of this. The degree of completion is measured based on production carried out (costs incurred/total estimated costs). Revenue is taken to income according to the accrued share of the forecast

at completion based on a reliable estimate of the degree of completion. Ancillary claims are taken to income when they are certain.

Expected future losses on contracts entered into are expensed and provided for as accrued operating expenses under Other provisions for liabilities. Losses are deducted in full as soon as they are known.

Project expenses include costs that are directly linked to the individual project and indirect costs that can be attributed to projects. Indirect costs that apply to the undertaking as a whole or the project activities, but that cannot be allocated to the individual projects, are not included.

Accrued income is classified as operating income in the income statement. Ongoing projects are classified as short-term receivables. Prepayments received over and above those offset against inventory on the individual project are classified as short-term liabilities.

Provision is made for guarantee work and other contingencies. The guarantee period is normally five years from handover of construction contracts.

Mesta's projects often cover a long period, and many are fixed-price 'total contracts' awarded after tender competitions. Failure to meet delivery times or performance guarantees, or an increase in project costs, may result in costs that cannot be covered and that may exceed the revenue from the project in question. The final result for the projects may deviate

from the forecast at completion made during the project based on best possible estimates.

Other operating income

Other operating income comprises rental income on properties and net gain on disposal of plant and machinery.

Costs

As a main rule, costs are expensed in the same period as the related revenue. In cases where there is no clear connection between revenue and expenses, they are expensed as they are incurred.

Other exceptions from the matching principle are specified where relevant.

Transformation

Transformation is defined as a planned programme that materially changes the scope of the business or the way in which it is carried out. Provisions for transformation are expensed when the programme is adopted and the costs are identifiable, quantifiable and not covered by associated revenue, cf. the matching principle.

Contingent liabilities

Contingent liabilities are recognised in the income statement if the balance of probabilities says they will be settled and the value can be estimated reliably. A best estimate is used to calculate the settlement amount.

Research and development

Costs relating to research and development are expensed as they are incurred.

Transactions between business areas

Transactions between business areas are carried out on standard commercial terms and internal profits are eliminated in the consolidated accounts.

Government grants

Government grants are recognised in the income statement when it is reasonably likely that the enterprise will meet the conditions linked to the grants and the grants will be received. The grants are recognised systematically over the accounting periods when the enterprise recognises the costs that the government grants are intended to compensate. Government grants relating to assets are recognised net by treating the grants as a reduction of the amount recognised in the balance sheet.

Pensions

Mesta AS is required to have a pension scheme for employees in accordance with the Norwegian Mandatory Occupational Pensions Act. All employees in Mesta have an occupational pension in the form of a defined-contribution pension.

Pension premiums are expensed as they accrue. Mesta previously had a closed defined-benefit scheme, which was terminated on 31 December 2020. Paid-up policies were issued to everyone receiving a retirement or survivors' pension, active employees and

persons receiving a disability pension who were in the closed defined-benefit scheme.

Mesta has no liabilities linked to the terminated defined-benefit scheme.

The company participates in the private contractual early retirement scheme (AFP), which means that employees receive a top-up to their pension in the form of a supplementary pension for life. The pension can be taken from the age of 62, including while still working. The AFP scheme is a tariff-based multi-employer pension plan that is organised through a common office and financed by means of premiums set as a percentage of salary. There is no reliable means of measuring and allocating liabilities and assets in the scheme and, in line with the accounting regulations, the scheme is therefore treated as a defined-contribution scheme where premium payments are expensed on an ongoing basis.

Cash flow statement

The cash flow statement is calculated using the indirect method. Cash and bank deposits cover bank deposits, receivables from the group account system and other short-term investments that can immediately be converted into known cash amounts.

Other items

Explanatory comments are included in the individual notes where necessary. Notes are indicated for both the consolidated and parent company accounts where this is relevant.

NOTE 2 / SEGMENT INFORMATION

The most significant part of the Group's business is in Norway.

Information on important customers

The Group has one customer that represents more than 10 per cent of its operating income. The Norwegian State's purchase of services from the Mesta Group is disclosed in note 15.

1) the Rail segment includes the subsidiary Rail Infrastructure as, which was acquired on 1 July 2021; see note 21. Revenue figures are for 1 July–31 December 2021.

2021	Operation and Maintenance	Electrical Engineering	Construction and Specialist Production	Rail ¹⁾	Other/eliminations	Group
Operating income – external	3,373	520	1,510	96	-153	5,346
2020	Operation and Maintenance	Electrical Engineering	Construction and Specialist Production		Other/eliminations	Group
Operating income – external	3,028	448	1,293		-202	4,568
2019	Operation and Maintenance	Electrical Engineering	Construction and Specialist Production		Other/eliminations	Group
Operating income – external	2,771	453	1,240		-148	4,316

NOTE 3 / CONSTRUCTION CONTRACTS

Projects in progress are projects that have not been handed over to the principal at the balance sheet date. Provisions have been made for guarantee liabilities and onerous contracts under Other provisions for liabilities. These are recognised in the income statement as Other operating expenses.

Parent company			Group	
2020	2021	Amounts in MNOK	2021	2020
442	812	Recognised as income as construction contracts in progress	1,215	442
415	818	Expenses linked to accrued income/provisions for loss	1,173	415
27	-6	Net amount recognised for work in progress	42	27
-	123	Estimated remaining production on onerous contracts	123	-
15	32	Accrued but not yet invoiced income on construction contracts in progress, incl. in Trade receivables	32	15
-	-	Production invoiced in advance incl. in Other short-term liabilities	-	-
31	46	Trade receivables where payment is delayed as a result of contractual conditions	65	31
-	-	Credit balance, suppliers	-	-

NOTE 4 / WORK IN PROGRESS

Parent company			Group	
2020	2021	Amounts in MNOK	2021	2020
98	139	Work in progress	141	98
-	-	Provision for obsolescence	-1	-
98	139	Total	141	98

NOTE 5 / WAGES AND SALARIES, NUMBER OF EMPLOYEES, REMUNERATION, LOANS TO EMPLOYEES ETC.

The Group CEO has an agreement providing for six months' notice of termination and 12 months' pay after termination of employment with set-off. The Group CEO has a retirement age of 67. The Group CEO has a profit-related pay agreement in addition to fixed salary. The profit-related pay scheme is described in note 19 Remuneration of senior executives and the Board of Directors.

No loans/collateral have been provided for the Group CEO, Chair or members of the Board, shareholders or other related parties.

The Group does not have any schemes linked to shares, options etc.

Parent company			Group	
2020	2021	Amounts in MNOK	2021	2020
1,061	1,094	Wages and salaries	1,128	1,061
114	127	National insurance payments	133	114
63	77	Pension costs (see note 6)	79	63
-3	-3	Other benefits	-3	-3
1,235	1,295	Total	1,336	1,235
1,582	1,595	Number of full-time equivalents at 31.12.	1,674	1,582
1,601	1,616	Number of employees in the Group at 31.12.	1,696	1,601

Auditor

The fee paid to KPMG AS breaks down as follows:

Parent company			Group	
2020	2021	Amounts in NOK 1,000	2021	2020
685	736	Statutory audit	1,172	719
-	-	Other certification services	-	-
225	621	Extended audit, consulting assignments and tax advisory	736	225

NOTE 6 / PENSIONS

Mesta is required to have a pension scheme for employees in accordance with the Norwegian Mandatory Occupational Pensions Act. The Group's pension schemes meet the requirements of the Act.

Pension costs are specified in note 5 Wages and salaries.

Defined contribution pension

For employees in the defined contribution scheme, a pension scheme has been established in which the contributions up to 1 July represent 5.6 per cent of salaries from 1–7.1 G (G is the national insurance basic amount) and 8 per cent of salaries from 7.1–12G. After 1 July, the contributions are 5.6 per cent of salaries from 1–7.1 G and 12 per cent of salaries from 7.1–12

G. The defined contribution scheme is operated by Storebrand. Employees included in the defined contribution scheme with Storebrand also have disability cover. Contributions to the pension scheme are expensed in the year to which the contribution relates. The defined contribution scheme may differ slightly for the subsidiaries.

AFP

The company participates in the private contractual early retirement scheme (AFP), which means that employees receive a top-up to their pension in the form of a supplementary pension for life. The pension can be taken from the age of 62, including while still working. The AFP scheme is a tariff-based multi-employer pension plan that is organised through a common office and financed by means of premiums

set as a percentage of salary. There is no reliable means of measuring and allocating liabilities and assets in the scheme and, in line with the accounting regulations, the scheme is therefore treated as a defined-contribution scheme where premium payments are expensed on an ongoing basis.

Defined benefit pension – previous scheme

Mesta previously had a closed defined-benefit scheme, which was terminated at the end of 2020. Paid-up policies were issued to those still in this scheme. There are no employees remaining in the scheme, and the Group had no liabilities linked to the discontinued scheme at 31 December 2021. All employees receive their mandatory occupational pension through the defined contribution scheme.

NOTE 7 / INTANGIBLE ASSETS

Proprietary systems concern capitalisation of costs for development of EDP software for design, programming and installation of proprietary and customised systems.

Parent company	Proprietary systems	2021	2020	
Acquisition cost at 01.01.	54	54	52	
Additions	6	6	2	
Tax rebate scheme	1	1	-	
Disposals	1	1	-	
Acquisition cost at 31.12.	58	58	54	
Accumulated amortisation and write-downs at 31.12	50	50	50	
Carrying amount at 31.12.	8	8	4	
Amortisation for the year	1	1	1	
Write-downs for the year	-	-	-	
Reversal of write-downs for the year	-	-	-	
Economic life		3–8 years		
Amortisation schedule		Linear		
Group	Goodwill	Proprietary systems	2021	2020
Acquisition cost at 01.01.	-	54	54	52
Additions	63	5	69	2
Tax rebate scheme	-	-1	1	-
Disposals	-	-	-	-
Acquisition cost at 31.12.	63	58	125	54
Accumulated amortisation and write-downs at 31.12	6	50	56	50
Carrying amount at 31.12.	57	8	69	4
Amortisation for the year	6	1	7	1
Write-downs for the year	-	-	-	-
Reversal of write-downs for the year	-	-	-	-
Economic life		5 years	3–8 years	
Amortisation schedule		Linear	Linear	

NOTE 8 / PROPERTY, PLANT AND EQUIPMENT

Plant and machinery were sold in 2021 at a value of NOK 78 million (NOK 18 million) with a net gain of NOK 65 million (NOK 9 million).

* Land is not depreciated.

Parent company	EDP hardware	Machinery, equipment etc.	Land/ buildings	2021	2020
Acquisition cost at 01.01.	5	1,472	40	1,517	1,491
Additions	-	140	-	140	135
Spin-off	-	-	33	33	-
Disposals	5	136	7	148	109
Acquisition cost at 31.12.	1	1,476	-	1,477	1,517
Accumulated depreciation and write-downs at 31.12	1	996	-	997	1,046
Carrying amount at 31.12.	-	480	-	480	470
Depreciation for the year	-	108	-	108	102
Write-downs for the year	-	-	-	-	-
Reversal of write-downs for the year	-	-	-	-	-
Economic life	1–5 years	3–15 years	20–50 years		
Depreciation schedule	Linear	Linear	Linear*		
Group	EDP hardware	Machinery, equipment etc.	Land/ buildings	2021	2020
Acquisition cost at 01.01.	5	1,472	40	1,517	1,491
Additions	-	141	-	141	135
Disposals	5	120	7	131	109
Acquisition cost at 31.12.	1	1,493	33	1,527	1,517
Accumulated depreciation and write-downs at 31.12	1	1,012	21	1,034	1,046
Carrying amount at 31.12.	-	480	12	492	470
Depreciation for the year	-	108	1	109	102
Write-downs for the year	-	-	-	-	-
Reversal of write-downs for the year	-	-	-	-	-
Economic life	1–5 years	3–15 years	20–50 years		
Depreciation schedule	Linear	Linear	Linear*		

NOTE 9 / CASH AT BANK

The individual companies in the Group each have a bank guarantee for the company's tax withholding liability. The Group companies participate in a shared cash pool system where the participants are jointly and severally liable as unconditional guarantor for correct fulfilment of all liabilities they incur under the group cash pool agreement with Danske Bank.

At 31 December 2021 Mesta AS had an overdraft facility of NOK 500 million, which had regularly been drawn on in 2021 but not on 31 December. The loan agreement is subject to covenants with the bank, linked in particular to profit and financial strength. The Group is in compliance with all the loan terms and conditions.

NOTE 10 / TAX

Deferred tax assets are recognised on the basis of future income.

Parent company		Tax	Group	
2020	2021		2021	2020
		Tax for the year is as follows:		
-	-	Tax payable	-	-
41	45	Change in deferred tax	49	41
-4	-	Too much tax deferred in previous years	-	-4
37	45	Tax	49	37

Parent company		Tax payable	Group	
2020	2021		2021	2020
		Tax payable in the balance sheet:		
-	-1	Tax payable for the year	-	-
-	1	Tax on group contribution paid	-	-
-	-	Too little/much tax deferred in previous years	-	-
-	-	Tax payable in the balance sheet	-	-

NOTE 10 / TAX (CONTINUED)

Parent company			Group	
2020	2021		2021	2020
		Reconciliation from nominal to actual tax rate:		
186	208	Profit before tax	216	186
41	46	Expected income tax according to nominal tax rate	47	41
		Tax effect of following items:		
-	-	Tax-free dividend	-	-
		<i>Permanent differences</i>		
-	-	Other permanent differences linked to investments	-	-
-	-1	Other non-deductible expenses	-1	-
-	1	Tax on group contributions	-	-
-	-	Permanent difference, goodwill	1	-
-4	-	Too much tax deferred in previous years	-	-4
-	-	Other items	-	-
37	45	Tax	49	37
21%	22%	Effective tax rate	22%	21%

NOTE 10 / TAX (CONTINUED)

Deferred tax assets are recognised on the basis of future income.

Specification of tax effect of temporary differences and loss carry-forwards:		2021		2020	
Parent company		Asset	Liability	Asset	Liability
Plant and machinery		-	108	-	106
Intangible assets		-	-	-	-
Financial assets		-	-	-	17
Production contracts		-	68	-	57
Work in progress		-	-	-	-
Receivables		186	-	112	-
Investments (current assets)		-	-	-	-
Short-term liabilities		227	-	287	-
Long-term liabilities		-	-	-	-
Profit and loss account		-	146	-	134
Loss carry-forward		306	-	527	-
Tax effect, differences arising from discontinued activities		-	-	-	-
Total		718	322	926	314
Deferred tax asset attributable to discontinued activities		-	-	-	-
Net deferred tax asset/liability in the balance sheet		87	-	135	-

Specification of tax effect of temporary differences and loss carry-forwards:		2021		2020	
Group		Asset	Liability	Asset	Liability
Plant and machinery		-	103	-	106
Intangible assets		-	-	-	-
Financial assets		-	-	-	17
Production contracts		-	127	-	57
Work in progress		1	-	-	-
Receivables		186	-	112	-
Investments (current assets)		-	-	-	-
Short-term liabilities		233	-	287	-
Long-term liabilities		-	-	-	-
Profit and loss account		-	150	-	134
Loss carry-forward		337	-	527	-
Total		757	379	926	314
Unrecognised deferred tax asset		-	-	-	-
Net deferred tax asset/liability in the balance sheet		83	-	135	-

NOTE 11 / SHARE CAPITAL, SHAREHOLDER INFORMATION AND EQUITY

Share capital: The share capital in the company at 31 December 2021 comprises the following share classes:	Number	Nominal value (NOK)	Carrying amount (MNOK)
Ordinary shares	1,000,100	500	500
Total			500

Shareholder information:

Ownership structure	Number	Participating interest	Voting share
Mesta AS has the following shareholder at 31 December 2021: Ministry of Trade, Industry and Fisheries	1,000,100	100%	100%

Equity: Parent company	Share capital	Share premium	Other equity	2021	2020
Equity at 01.01.	500	-	51	551	432
Spin-off	-28	-	-	-28	-
Capital increase	28	3	-	31	-
Profit for the year	-	-	163	163	149
Provision for dividend	-	-	-68	-68	-30
Equity at 31.12.	500	3	146	650	551

Equity: Group	Share capital	Share premium	Other equity	2021	2020
Equity at 01.01.	500	-	52	552	432
Profit for the year	-	-	167	167	149
Provision for dividend	-	-	-68	-68	-30
Equity at 31.12.	500	-	152	652	552

NOTE 12 / COLLATERAL AND GUARANTEES ETC.

Standard contractual terms for the Public Roads Administration and most county municipalities include a requirement for a bank guarantee for the contract period. The guarantee amount is reduced in line with progress on the contract.

An agreement has been entered into with four suppliers concerning a guarantee framework with an upper limit of NOK 2,300 million to cover the concrete guarantee liabilities to the principal.

A negative pledge has been agreed as security for the guarantee with Danske Bank. This pledge also serves as security for the overdraft facility of NOK 500 million.

Parent company			Group	
2020	2021		2021	2020
1,160	1,138	Public Roads Administration	1,138	1,160
283	344	Municipalities	344	283
42	37	Other	101	42
60	85	Tax withholding guarantee	91	60
1,545	1,603	Total	1,673	1,545

NOTE 13 / PROVISION FOR LIABILITIES

* Recognition of projects is based on uncertain estimates linked to e.g. progress, forecast at completion, disputes, guarantee work etc. The final profit for a project may therefore deviate from the expected forecast at completion. Disputes that are settled by arbitration or legal proceedings also arise on completed projects.

Parent company			Group	
2020	2021		2021	2020
7	3	Environmental provisions	8	7
17	10	Restructuring	10	17
4	10	Guarantee liabilities	12	4
-	6	Other	6	-
15	18	Leasing	18	15
243	180	Expected loss on contracts*	180	243
287	227	Total other provisions for liabilities	233	287

NOTE 14 / EXPENSES FOR OFF-BALANCE SHEET LEASES

The Group has entered into leases for machinery, vehicles, offices, premises and other facilities. Leases for premises in conjunction with projects have terms corresponding to the projects. The table shows major leases for offices and buildings and leasing agreements for vehicles and machinery. The company does not have any finance leases.

Parent company			Group	
2020	2021		2021	2020
11	12	Lease (administration)	14	11
16	16	Lease (in connection with operating contract)	16	16
115	141	Leasing (vehicles and construction machinery)	144	115
143	169	Total off-balance sheet leases	173	143

	Remaining term	Contract lengths
Lease (administration)	2.5 years	1–10 years
Lease (in connection with operating contract)	Same as contract length	Same as contract length
Leasing (vehicles and construction machinery)	2.5–3 years	5–7 years

NOTE 15 / SUBSIDIARIES, ASSOCIATES ETC.

* Previously Lyngbøveien 164 AS

	Registered office	Voting share	Participating interest
Mesta Eiendomsselskap AS*	Bærum	100%	100%
Mesta Sverige AB	Jönköping	100%	100%
Rail Infrastructure AS	Bærum	100%	100%

	Equity according to latest annual accounts	Profit for the year according to latest annual accounts	Carrying amount at 31.12.2020
Mesta Eiendomsselskap AS*	32	6	33
Mesta Sverige AB	3	-	2
Rail Infrastructure AS	34	10	89

NOTE 16 / RELATED PARTY TRANSACTIONS AND BALANCES

No items fall due more than one year after the end of the financial year.

Mesta AS has transactions between the subsidiaries Mesta Eiendomsselskap AS, Mesta Sverige AB and Rail Infrastructure AS. These companies are defined as related parties in the Group. All transactions are carried out on standard contractual terms and at arm's length.

Transactions with the Norwegian State

The State, represented by the Ministry of Trade, Industry and Fisheries, owns 100 per cent of the shares in Mesta AS. The Norwegian State's ownership structure means that Mesta participates in transactions with several parties that have a shared ownership structure and therefore meet the definition of 'related parties'. All transactions are assessed to be in accordance with the standard arm's length principle. The Public Roads Administration, the county municipalities and Bane Nor are Mesta AS's biggest customers, representing approx. 83 per cent (83 per cent) of total revenue. All contracts have been entered into at arm's length prices based on publicly announced tender competitions.

* Previously Lyngbøveien 164 AS

Income statement transactions with related parties:

Transaction/transaction group	Relevant line in IS	Counterparty	Relationship to counterparty	2021	2020
Lease income/expense	Other op. expenses	Mesta Eiendomsselskap AS*	Subsidiary	5	-
Acquisition of fixed assets	Assets	Mesta Sverige AB	Subsidiary	-	1
IT and administration	Other op. income	Mesta Sverige AB	Subsidiary	-	1
Total				5	2

Balances with related parties:

Counterparty	Relationship to counterparty	Trade receivables		Other receivables	
		2021	2020	2021	2020
Rail Infrastructure AS	Subsidiary	-	-	-	-
Mesta Sverige AB	Subsidiary	-	-	-	-
Mesta Eiendomsselskap AS*	Subsidiary	-	-	4	-
Total		-	-	4	-

Balances with related parties:

Counterparty	Relationship to counterparty	Trade payables		Other short-term liabilities	
		2021	2020	2021	2020
Rail Infrastructure AS	Subsidiary	-	-	-	-
Mesta Sverige AB	Subsidiary	-	-	3	3
Mesta Eiendomsselskap AS*	Subsidiary	-	-	27	-
Total		-	-	30	3

Sales revenue

	2021	2020
Public-sector purchases	4,414	3,791

NOTE 17 / FINANCIAL MARKET RISK**Purchasing**

Mesta AS carries out most of its purchasing based on prices in NOK. The need for currency hedging of major purchases in foreign currencies is assessed on an ongoing basis.

Liquid assets

Investments of liquid assets are made with a short time frame and with banks.

NOTE 18 / CONTINGENCIES AND EVENTS AFTER THE BALANCE SHEET DATE

No events of material significance have occurred that affect assessment of the Group's income statement and balance sheet.

NOTE 19 / REMUNERATION OF SENIOR EXECUTIVES AND THE BOARD OF DIRECTORS

Mesta's articles of association contain the following section on salary and other remuneration of senior executives:

'The company shall follow section 6-16a of the Public Limited Liability Companies Act, Guidelines for salaries and other remuneration of senior executives in listed companies; section 6-16b of the same act, Report on salaries and other remuneration of senior executives in listed companies; and the Regulation on guidelines and report on remuneration of senior executives. Guidelines in conformance with section 6-16a of the Act and the

Regulation shall be submitted for the approval of the annual general meeting as from and including 2022. The guidelines shall also contain an account of how the State's 'Guidelines for the remuneration of senior executives in companies with State ownership' have been complied with in the company's wholly owned subsidiaries. A remuneration report in conformance with section 6-16a of the Act and the Regulation shall be submitted for the approval of the annual general meeting no later than as from and including 2023.'

Guidelines for salaries and other remuneration of senior executives in the Group will be submitted to

the annual general meeting in 2022, and will then be published on the company's website.

In this note the company discloses its guidelines and report on salary and other remuneration of senior executives for 2021.

Mesta follows the guidelines of the Ministry of Trade, Industry and Fisheries regarding salary and other remuneration of senior executives in companies with state ownership. The guidelines have been discussed by Mesta's Remuneration Committee and Board of Directors and implemented in the company.

The main objective of the company's executive pay policy is for remuneration of senior executives in the company to promote achievement of the company's targets and sustainable value creation, and support the company's strategy, long-term interests and financial capacity. Moreover, the remuneration of executives shall be competitive and simultaneously have a moderating effect by the company avoiding being a wage leader in comparison with peer companies.

The main element of the remuneration of the company's senior executives is the fixed salary. Variable salary is paid in addition to this and is based

on objective, measurable and time-limited criteria. The variable remuneration comprises both financial and non-financial parameters chosen to contribute to achievement of the company's strategy, such as sustainable return to owners, customer and employee satisfaction, safety, entrepreneurial spirit, become the industry's digital champion, environment and sustainability, and the company's ability to follow through. There shall be clear correlations between the targets underlying the variable salary and the company's targets and strategies.

The guidelines for salaries and other remuneration also apply to the Group's subsidiaries.

Remuneration of senior executives may deviate from the guidelines in individual cases, for example in connection with acquisition of subsidiaries where senior executives have divergent contracts of employments at the acquisition date and it will take time to harmonise these with the guidelines.

The company's Board of Directors has established a separate Remuneration Committee with the following mandate:

'The Remuneration Committee shall be a body for the Board of Directors to set frameworks and a structure for remuneration of the Group CEO and senior executives. The Remuneration Committee also proposes the annual salary adjustment for the Group CEO.'

Senior executives in Mesta are the Group CEO and those reporting directly to the Group CEO. At the end of 2021, this comprised nine persons.

No compensation is paid for board duties in other companies within the Group.

All senior executives have a notice period of six months. If the termination is on the company's part, the executive will receive pay after termination of employment for six months. This amount will be reduced by other income earned in the six-month period. The Group CEO has an agreement providing pay after termination of employment for up to 12 months. This should be seen in light of the fact that the State, which is the 100% owner of Mesta, has a strategy to reduce the State's ownership of companies such as Mesta¹.

The maximum bonus is 35% of fixed salary. The Executive team has a defined-contribution pension scheme up to 12 G, which is the same for all employees in the company.

The wage adjustment in 2021 was 2.2%, effective 1 July. The bonus for 2021 has been estimated and is based on achievement of several metrics, both financial and non-financial. The final bonus will be decided once the annual accounts for 2021 have been adopted by the Board of Directors. The bonus shown in the following table is therefore an estimate and subject to approval. The bonus for 2021 will not be paid out until 2022 and 2023 (the part of the bonus that is paid as holiday pay). Other benefits include insurance, subsidies for training and courses, newspapers, broadband etc.

Salary and bonus 2021		Salary	Bonus	Pension	Other benefits	Total
Executive team (NOK 1000)	EVP's area					
Marianne Bergmann Røren	Group CEO	3,281	1,120	87	10	4,488
Pål Christian Stange ¹⁾	CFO	1,894	649	79	75	2,622
Mai Lawson Oldgård	HR and Sustainability	1,997	681	87	27	2,765
Jenny Karlsson ²⁾	Digitalisation and Strategy	3,025	-	-	-	3,025
Rolf Dale	Contracts and Production Resources	1,884	660	87	45	2,631
Oddmund Lefdal	Electrical Engineering	1,787	617	87	64	2,491
Kristin Folge	Operation and Maintenance	2,066	708	87	21	2,861
Kjell A. Næss ³⁾	Construction and Specialist Production	2,011	701	459	129	3,170
Bjørn Aage Innstrand ⁴⁾	Rail	1,050	601	34	12	1,685
Elin Vigrestad ⁵⁾	Business Development and Innovation	975	340	38	5	1,352
Arne Roald Larsen ⁶⁾		2,244	-	298	24	2,542
Total remuneration		22,214	6,077	1,342	412	29,634

- 1) Reduced position to 80 per cent from August 2021 and has tuition fees for Master's in accounting and auditing at BI Norwegian Business School covered.
- 2) Contracted, end date 1 March 2022.
- 3) Has compensation for transition from closed defined-benefit to defined-contribution scheme in 2020 and loss of pension over 12G.
- 4) CEO of RIAS, which became part of the Group effective 1 July 2021.
- 5) Moved to another position in the Group effective 1 May 2021.
- 6) Construction up to 1 October 2020. Has an agreement providing pay after termination of employment for more than six months, which was agreed before the guidelines were adopted.

1) The Norwegian State, which is the 100% owner of Mesta, has three categories of state ownership. Mesta is in category 1, where the State has an ambition to reduce the State's ownership (Report to the Storting 8 (2019–2020) The State's direct ownership in companies).

**NOTE 19 / REMUNERATION OF SENIOR EXECUTIVES
AND THE BOARD OF DIRECTORS (CONTINUED)**

Calculation of bonus is based on selected parameters/ KPIs that have been chosen in order to contribute to achievement of the company's strategy. The following parameters apply for 2021.

KPIs, targets and achievement, 2021:						
Strategic buy-in	KPI	Measurement method	Status	Actual	Target	Weighting bonus
Entrepreneurial spirit	EBIT Group ¹⁾	Step model	●	200	132-175	80%
Position measure, customers	CSI	Customer survey	●	75	75	4%
Position measure, employees	ESI	ESI	●	76	75	4%
Safety first	No. of injuries	Group in course of the year	●	54	28	2%
Growth and entrepreneurial spirit	No. of suggestions for improvements	Group in course of the year	●	1,022	900	2%
Digitalisation	Percentage using LINX	% active users among first-line managers	●	88%	80%	2%
Sustainability	Newly acquired electric vans	Group in course of the year	●	20%	15%	2%
Sustainability	Female quota, new employees	Group in course of the year	●	17%	15%	2%
Outstanding at execution	No. of quality deviations	Group in course of the year	●	2,878	1,900	2%
Total						100%

1) EBIT for the Group is calculated excluding extraordinary items and change in accounting principles

Salary and bonus 2020: Salaries and benefits for Executive team in 2020

Executive team (NOK 1000)	EVP's area	Salary ³⁾	Bonus	Pension	Other benefits	Total
Marianne Bergmann Røren	Group CEO	3,116	997	74	10	4,197
Pål Christian Stange	CFO	1,885	625	74	10	2,593
Mai Lawson Oldgård	HR and Sustainability	1,891	606	74	10	2,581
Elin Vigrestad	Business Development and Innovation	1,785	543	74	10	2,411
Rolf Dale	Estimates and calculations	1,779	558	74	39	2,450
Oddmund Lefdal	Electrical Engineering	1,707	625	74	48	2,455
Kristin Folge	Operation and Maintenance	1,963	625	74	10	2,672
Kjell A. Næss ¹⁾	Construction and Specialist Production	1,924	625	615	10	3,174
Arne Roald Larsen ^{1) 2)}	Construction	1,812	375	389	68	2,645
Total remuneration		17,862	5,579	1,522	214	25,177

1) Has compensation for loss of pension over 12G.

2) Until 1 October 2020.

3) The wage adjustment in 2020 was 2.2%, effective 1 November 2020.

**NOTE 19 / REMUNERATION OF SENIOR EXECUTIVES
AND THE BOARD OF DIRECTORS (CONTINUED)**

Directors' fees in 2021

Remuneration of the Board of Directors for 2021 and 2020 is shown to the right.

Directors' fees in 2021:			
Remuneration of board members, directors' fees and fees for committee work		2021	2020
Storøy, Sigurd	Board member from 01.10.2020	217	52
Hasle, Geir	Board member until 01.10.2020	-	156
Krokå, Geir	Board member	252	208
Hermansen, Jens-Petter	Board member until 01.07.2020	-	115
Haldorsen, Jan-Erik	Board member from 01.07.2020	219	104
Nyheim, John	Chair	462	439
Sørby, Morten Karlsen	Board member	219	208
Panengstuen, Anne Marit	Board member	219	208
Hellerud, Catharina	Board member	249	237
Hauge, Margrethe	Board member from 01.07.2021	108	-
Driveklepp, Janicke Westlie	Board member until 01.07.2021	134	252
Total directors' fees and fees for committee work		2,077	1,979

NOTE 20 / SPIN-OFF AND MERGER

In 2021 Mesta restructured its property activities to bring all properties together in the Mesta Group's subsidiary Mesta Eiendomsselskap AS. The reorganisation will facilitate more expedient development and operation of the properties.

The restructuring was effected by spinning off properties formerly in Mesta AS into the newly formed Mesta Eiendomsselskap II AS. Mesta Eiendomsselskap II AS was subsequently added to Mesta AS by means of a capital increase in the form of a contribution in kind of the shares in Mesta Eiendomsselskap II AS. In the final step in the process, Mesta Eiendomsselskap II AS was

merged with Mesta Eiendomsselskap AS by means of an affiliate merger. Mesta Eiendomsselskap II AS was subsequently annulled.

The restructuring was carried out to provide company continuity from an accounting perspective, and tax continuity effective 1 January 2021. The spin-off and merger were no-cost transactions.

The reorganisation does not entail any change in accounting values for the Group, for which reason the comparative figures have not been restated.

NOTE 21 / ACQUISITIONS

Mesta completed the acquisition of all the shares in Rail Infrastructure AS (RIAS) on 11 June 2021.

At year-end 2021, RIAS had 80 employees. RIAS will strengthen the Mesta Group's commitment to the railway segment.

The shareholding has been recognised in Mesta AS using the cost method. The cost price of the shares has been capitalised at NOK 89 million in the parent company and comprises the following elements:

Consideration for shares paid in 2021	82
Share of consideration for shares incl. interest due in 2022	5
Total consideration for shares	87
Capitalised transaction costs	2
Capitalised cost price of shares in Mesta AS	89

The share of the consideration of NOK 5 million that will be paid in 2022 is security for guarantee liabilities for projects in RIAS.

An acquisition analysis was carried out based on unaudited income statement and balance sheet figures for RIAS at 30 June 2021. Allocation of capitalised cost price has been calculated using the

acquisition method. In the consolidated accounts, the cost price has been allocated to estimated fair value of identified assets and liabilities in RIAS. No excess value or shortfall in value has been identified over and above the amount allocated to goodwill.

Goodwill has been calculated at NOK 63 million and will be amortised over a period of five years.

NOTE 22 / COVID-19

Mesta, too, was hit hard by the coronavirus pandemic in March 2020 and continued to be impacted throughout 2021. Mesta was able to handle and follow up the necessary infection control measures that were imposed, achieving a high level of compliance.

Measures by the authorities, including public investments in infrastructure in connection with the pandemic, also contributed to Mesta coming through this period satisfactorily.

The pandemic will continue to affect society going forward, but new virus variants are likely to be milder, partly because large parts of the population are now vaccinated. Mesta assesses the situation on an ongoing basis, and will adjust and adapt measures in line with recommendations and future developments.

Mesta AS is a Norwegian public limited company, established and domiciled in Norway. Mesta is 100% owned by the Norwegian State represented by the Ministry of Trade, Industry and Fisheries.

Auditor's report



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Til generalforsamlingen i Mesta AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert Mesta AS' årsregnskap, som består av:

- selskapsregnskapet, som består av balanse per 31. desember 2021, resultatregnskap og kontantstrømpstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper, og
- konsernregnskapet, som består av balanse per 31. desember 2021, resultatregnskap og kontantstrømpstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav,
- gir selskapsregnskapet et rettviseende bilde av selskapets finansielle stilling per 31. desember 2021 og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge, og
- gir konsernregnskapet et rettviseende bilde av konsernets finansielle stilling per 31. desember 2021 og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med de internasjonale revisjonsstandardene International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet og konsernet slik det kreves i lov, forskrift og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av the International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret og daglig leder (ledelsen) er ansvarlige for informasjonen i årsberetningen og annen øvrig informasjon som er publisert sammen med årsregnskapet. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker verken informasjonen i årsberetningen eller annen øvrig informasjon.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen og annen øvrig informasjon. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen, annen øvrig informasjon og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen og annen øvrig informasjon ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen eller annen øvrig informasjon fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:

Oslo	Elverum	Mo i Rana	Stord
Alta	Finnøy	Molde	Straume
Arendal	Hamar	Skien	Tromsø
Bergen	Haugesund	Sandnessjøen	Tromsø
Bodø	Kjevik	Sandnessjøen	Tysse
Drammen	Kristiansand	Slangerup	Ålesund



Uavhengig revisors beretning - Mesta AS

- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Vår uttalelse om årsberetningen gjelder tilsvarende for redegjørelsen om foretaksstyring.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik intern kontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.


Ved utarbeidelsen av årsregnskapet er ledelsen ansvarlig for å ta standpunkt til selskapets og konsernets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avvirket.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betyggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon som eksisterer. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon blir vurdert som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke økonomiske beslutninger som brukerne foretar basert på årsregnskapet.

Som del av en revisjon i samsvar med ISA-ene, utøver vi profesjonelt skjønn og utviser profesjonell skepsis gjennom hele revisjonen. I tillegg:

- identifiserer og vurderer vi risikoen for vesentlig feilinformasjon i regnskapet, enten det skyldes misligheter eller utilsiktede feil. Vi utformer og gjennomfører revisjonsprosedyrer for å håndtere slike risikoer, og innhenter revisjonsbevis som er tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon. Risikoen for at vesentlig feilinformasjon som følge av misligheter ikke blir avdekket, er høyere enn for feilinformasjon som skyldes utilsiktede feil, siden misligheter kan innebære samarbeid, fortalskning, bevisste utelatelser, uriktige fremstillinger eller overstyring av internkontroll.
- opparbeider vi oss en forståelse av den interne kontroll som er relevant for revisjonen, for å utforme revisjonsprosedyrer som er hensiktsmessige etter omstendighetene, men ikke for å gi uttrykk for en mening om effektiviteten av selskapets og konsernets interne kontroll.
- evaluerer vi om de anvendte regnskapsprinsippene er hensiktsmessige og om regnskapsestimaterne og tilhørende noteopplysninger utarbeidet av ledelsen er rimelige.
- konkluderer vi på hensiktsmessigheten av ledelsens bruk av fortsatt drift-forutsetningen ved avleggelsen av årsregnskapet, basert på innhentede revisjonsbevis, og hvorvidt det foreligger vesentlig usikkerhet knyttet til hendelser eller forhold som kan skape tvil av betydning om selskapets og konsernets evne til fortsatt drift. Dersom vi konkluderer med at det eksisterer vesentlig usikkerhet, kreves det at vi i revisjonsberetningen henleder oppmerksomheten på tilleggsopplysningene i årsregnskapet, eller, dersom slike tilleggsopplysninger ikke er tilstrekkelige, at vi modifiserer vår konklusjon. Våre konklusjoner er basert på revisjonsbevis innhentet inntil datoen for revisjonsberetningen. Etterfølgende hendelser eller forhold kan imidlertid medføre at selskapet og konsernet ikke fortsetter driften.
- evaluerer vi den samlede presentasjonen, strukturen og innholdet i årsregnskapet, inkludert tilleggsopplysningene, og hvorvidt årsregnskapet gir uttrykk for de underliggende transaksjonene og hendelsene på en måte som gir et rettviseende bilde.
- innhenter vi tilstrekkelig og hensiktsmessig revisjonsbevis vedrørende den finansielle informasjonen til enhetene eller forretningsområdene i konsernet for å kunne gi uttrykk for en mening om det konsoliderte regnskapet. Vi er ansvarlige for å lede, følge opp og gjennomføre konsernrevisjonen. Vi alene er ansvarlige for vår revisjonskonklusjon.



Uavhengig revisors beretning - Mesta AS


Vi kommuniserer med styret blant annet om det planlagte omfanget av revisjonen og til hvilken tid revisjonsarbeidet skal utføres. Vi utveksler også informasjon om forhold av betydning som vi har avdekket i løpet av revisjonen, herunder om eventuelle svakheter av betydning i den interne kontrollen.

Oslo, 04.04.2022
KPMG AS

Svein Wiig
Statsautorisert revisor
(elektronisk signert)

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3



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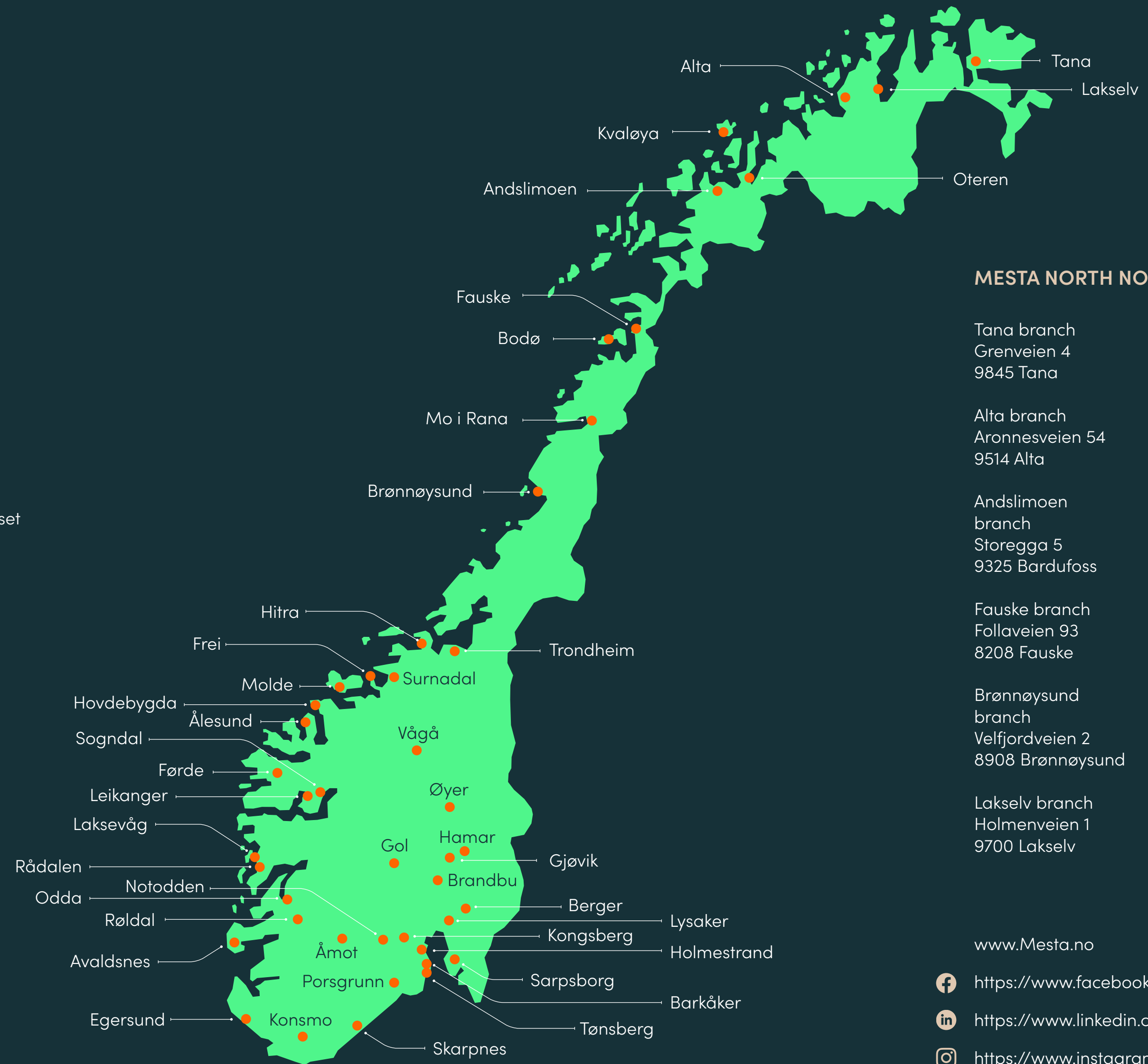
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Rådalen branch Fanavegen 221c 5239 Rådalen	Gol branch Husøynevegen 11 3550 Gol	Konsmo branch Breilimoen 7 4525 Konsmo	Laksevåg branch Lyngbøveien 164 5164 Laksevåg
Øyer branch Fiskehusvegen 7 2636 Øyer	Sarpsborg branch Torvstikkeren 5 1640 Råde	Electrical Engineering (Ålesund) Breivika Industrivei 54 6018 Ålesund	Hamar branch Narmovegen 191 2323 Ingeberg
Skarpnes branch Molandsveien 26 4994 Akland	Notodden branch Ørvellavegen 6 3692 Sauland	Surnadal branch Åsskardvegen 172 6650 Surnadal	Berger branch Bølerveien 84 2020 Skedsmokorset
Tønsberg branch Åshaugveien 39 3170 Sem	Electrical Engineering (Sogndal) Bordvegen 17 6854 Kaupanger	Førde branch Sanderplassen 8 6813 Førde	Head office Admin. Lysaker Strandveien 15 1366 Lysaker
Porsgrunn branch Bjørkedalsveien 9 3948 Porsgrunn	Trondheim branch Tempeveien 25 7037 Trondheim	Odda branch Holmavegen 7 5750 Odda	
Electrical Engineering (Røldal) Runnane 8 5760 Røldal	Leikanger branch Sognefjordveien 24 6863 Leikanger	Gjøvik branch Rensevegen 3 2816 Gjøvik	
Hitra branch Stålvikveien 14 7257 Snillfjord	Egersund branch Krossmoveien 301 4373 Egersund	Holmestrand branch Hvitvingfossveien 295 3089 Holmestrand	
Hovdebygda branch Langemyra 5B 6160 Hovdebygda	Brandbu branch Amundrudvegen 88 2770 Jaren	Electrical Engineering (South) Wirgenes vei 5B 3157 Barkåker	
Avaldsnes branch Husøyveien 131 4262 Avaldsnes	Kongsberg branch Gomsrudveien 132 3610 Kongsberg		



MESTA NORTH NORWAY

Tana branch Grenveien 4 9845 Tana	Kvaløya branch Salarøyvegen 422 9103 Kvaløya
Alta branch Aronnesveien 54 9514 Alta	Oteren branch Hatturanta 32 9046 Oteren
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Fauske branch Follaveien 93 8208 Fauske	Bodø branch Gidsken Jakobsensvei 12 8008 Bodø
Brønnøysund branch Velfjordveien 2 8908 Brønnøysund	Electrical Engineering (Bodø) Gidsken Jakobsensvei 14 8008 Bodø
Lakselv branch Holmenveien 1 9700 Lakselv	

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As well as being certified in accordance with NS-EN ISO 14001:2015 and NS-EN ISO 9001:2015, Mesta has developed LKM – our own quality management system.



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